

# **State of Alaska FY2009 Governor's Operating Budget**

## **Department of Revenue Performance Measures**

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## Department of Revenue

### Mission

The mission of the Department of Revenue is to collect, distribute and invest funds for public purposes.

### Core Services

- Coordination, development and promotion of programs for collection and investment of public funds
- Formulation of specific recurring revenue sources
- Provide controls and enforcement for the collection, investment and payment of funds for the following operating divisions:

Tax Division  
Treasury Division  
Permanent Fund Dividend Division  
Child Support Services Division

- Provide administrative support for the following independent authorities, boards and corporations:

Alaska Retirement Management Board  
Alaska Mental Health Trust Authority  
Long Term Care Ombudsman's Office  
Alaska Municipal Bond Bank Authority  
Alaska Natural Gas Development Authority  
Alaska Housing Finance Corporation  
Alaska Permanent Fund Corporation

End Result	Strategies to Achieve End Result
<b>A: Maximize compliance with current tax and gaming statutes.</b>  <u>Target #1:</u> Percentage of taxes collected compared to taxes due between 92% and 98%. <u>Measure #1:</u> Percentage of taxes collected compared to the taxes due.	<b>A1: Increase tax audit coverage (audit activities improve compliance and revenue).</b>  <u>Target #1:</u> Open 20 new audit cases (taxpayers that have not been audited by us in the prior five years). <u>Measure #1:</u> Number of new audits opened.  <b>A2: Increase voluntary compliance from identifying non-filers.</b>  <u>Target #1:</u> Find 30 non-filers through compliance work. <u>Measure #1:</u> Number of non-filers brought into compliance.
End Result	Strategies to Achieve End Result
<b>B: Improve the risk adjusted return of funds under the stewardship of the Treasury Division by continually improving investment returns.</b>  <u>Target #1:</u> For the funds under the fiduciary	<b>B1: Portfolio Investment Officer staff is continually upgraded in experience and education.</b>  <u>Target #1:</u> Increase average longevity of the investment officers to 5 years.

responsibility of the Commissioner of Revenue, exceed the applicable 1-year target returns. <u>Measure #1:</u> Actual returns compared with target returns reported by consultant or the custodian bank.	<u>Measure #1:</u> The average longevity of investment officers (includes the Chief Investment Officer and the 5 public market and 3 private market staff reporting to the Chief Investment Officer.)  <u>Target #2:</u> At least 4 investment staff will have their Chartered Financial Analyst (CFA) designation. <u>Measure #2:</u> Number of investment staff with Chartered Financial Analyst designation.
End Result	Strategies to Achieve End Result
<b>C: All eligible Alaskans, whose applications are not on appeal, receive their Permanent Fund Dividend (PFD) in October or November.</b>  <u>Target #1:</u> 100% of eligible applicants not on appeal are paid in October (by direct deposit) or November (by warrant). <u>Measure #1:</u> Percentage of eligible applicants not on appeal who are paid in October (by direct deposit) or November (by warrant).	<b>C1: Provide PFD staff with needed training to perform effectively.</b>  <u>Target #1:</u> 100% of new PFD staff receive standardized training within first three months. <u>Measure #1:</u> Percentage of new staff that receive standardized training within first three months.
End Result	Strategies to Achieve End Result
<b>D: Collection and distribution of child support due to the children served by CSSD.</b>  <u>Target #1:</u> Increase collections by 3%, net Permanent Fund Dividend collections. <u>Measure #1:</u> Percent of change in total collections, net PFD collections.	<b>D1: Improve the environment necessary for increased child support collections.</b>  <u>Target #1:</u> Ensure that paternities established are at least 100%. <u>Measure #1:</u> Percentage of paternities established.  <u>Target #2:</u> Increase cases with orders to 93.5%. <u>Measure #2:</u> Percentage of cases with orders.  <u>Target #3:</u> Increase current collections to 56%. <u>Measure #3:</u> Percentage of current collections.  <u>Target #4:</u> Increase number of cases with arrearage collections to 71%. <u>Measure #4:</u> Percentage of cases with arrearage collections.  <u>Target #5:</u> Ensure that the cost effectiveness ratio is at least \$4.10. <u>Measure #5:</u> Cost effectiveness ratio.  <u>Target #6:</u> Reduce cases with no collections for one year or more to 12% or less of cases eligible for collections. <u>Measure #6:</u> Percentage of cases with no collections for one year or more versus total cases eligible for collection.

### Major Activities to Advance Strategies

- TAX DIVISION:
- Enforce tax compliance through audit; focus tax
- Cross train staff to work in multiple functional areas and allocate staff across unit lines to address peak

### Major Activities to Advance Strategies

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>examination activity on high risk returns and errors; and streamline the tax examination process.</li> <li>• TREASURY DIVISION:</li> <li>• Define roles of potential new asset class managers; perform adequate due diligence; and automate download of accounting data.</li> <li>• PERMANENT FUND DIVISION:</li> </ul> | <ul style="list-style-type: none"> <li>workload.</li> <li>• CHILD SUPPORT SERVICES:</li> <li>• Improve communications, processes and interface with other states; and establish and train a special collections unit.</li> <li>• Establish paternity; inform obligees of accurate amounts due; and locate employers and assets of non-custodial parents.</li> </ul> |
|--|---|

### FY2009 Resources Allocated to Achieve Results

<b>FY2009 Department Budget: \$263,216,700</b>	<b>Personnel:</b>	
	Full time	873
	Part time	50
	<b>Total</b>	<b>923</b>

### Performance Measure Detail

#### A: Result - Maximize compliance with current tax and gaming statutes.

**Target #1:** Percentage of taxes collected compared to taxes due between 92% and 98%.

**Measure #1:** Percentage of taxes collected compared to the taxes due.

#### Taxes Collected Compared to Taxes Due

Year	% of Taxes Collected
FY 2003	98.5%
FY 2004	99.7%
FY 2005	98.6%
FY 2006	96.0%
FY 2007	105.4%

**Analysis of results and challenges:** This percentage is driven primarily by the Tax Division's collections efforts. In the past, we believed that this percentage was indicative of the Division's compliance efforts. However, without the ability to reasonably estimate the amount of unreported taxes due to the state, this percentage is meaningless as a way to measure the Division's compliance efforts. In FY 2007, we collected more taxes due than what was owed during the fiscal year. This was the result of increased collection efforts and the resultant payment of back taxes owed to the State. FY 2007 was a banner year for the Division in this area. However, as stated above, this does not provide any feedback regarding our compliance activities. As such, the Division will reassess this performance measure for FY 2008 and future years and come up with a more realistic and meaningful method of measuring our success in tax and gaming compliance.

## A1: Strategy - Increase tax audit coverage (audit activities improve compliance and revenue).

**Target #1:** Open 20 new audit cases (taxpayers that have not been audited by us in the prior five years).

**Measure #1:** Number of new audits opened.

### Number of New Audit Cases Opened

Year	# of Audit Cases
FY 2003	13
FY 2004	7
FY 2005	14
FY 2006	5
FY 2007	42
FY 2008	Forecast: 20

**Analysis of results and challenges:** The Tax Division maintains 100% coverage in oil and gas income and production taxes (and new oil and gas audit subjects are not included in this measure). An audit presence in each of the other tax types improves long-term voluntary compliance as well as generates new audit revenues. Furthermore, once established, audit generated revenues tend to recur as taxpayers modify their reporting to become consistent with the audit findings. Not included in the new audit count are audits of exploration tax credit claims by existing taxpayers. These audits do not meet our definition of "new audits" although they represent new and expanded audit effort by the division. We exceeded our goal in FY 2007 as a result of new audit staff in the Corporate and Excise tax units. We also limited the scope on several audits, choosing to look at several taxpayers with similar audit issues as opposed to conducting a full audit of a few taxpayers. Limited scope audits not only allow us to audit more taxpayers, but they also allow us to focus on audit issues that have a greater return to the State.

We view twenty new audit subjects annually as an appropriate target and this remains our goal for FY2008.

## A2: Strategy - Increase voluntary compliance from identifying non-filers.

**Target #1:** Find 30 non-filers through compliance work.

**Measure #1:** Number of non-filers brought into compliance.

### New Filers Through Compliance

Year	# of New Filers
FY 2004	38
FY 2005	45
FY 2006	900*
FY 2007	977*

*Internet tobacco tax compliance project yielded 700 new taxpayers in FY2006 and 868 new taxpayers in FY2007.*

**Analysis of results and challenges:** The Tax Division encourages voluntary compliance as the most effective tool for collecting tax revenues. An important aspect of voluntary compliance is for taxpayers to believe that they are paying about the same amount in taxes as other similarly situated taxpayers. Seeking out and finding new taxpayers and bringing them into compliance assists revenue both in long-term voluntary compliance as well as bringing in the revenues from the new taxpayers. The division does not believe there are any major oil and gas taxpayers not filing, but we are going after the tax types that constitute the other 20% of its revenue responsibilities. This target and measure does not include federal or multi-state compliance programs in which we currently participate.

In FY2007, we conducted a major taxpayer education and compliance effort with the assistance of the Department of Natural Resources in the mining license tax program. Our efforts resulted in over 100 new taxpayers in this tax type. We also initiated a new Internet tobacco tax compliance project which yielded 868 new taxpayers. Although identifying non-filers is an important function of the Division, the number of non-filers identified is not as important as the number of compliance projects initiated. Therefore, in the future, our goal

will be to initiate a specific number of compliance projects as opposed to generating new taxpayers.

**B: Result - Improve the risk adjusted return of funds under the stewardship of the Treasury Division by continually improving investment returns.**

**Target #1:** For the funds under the fiduciary responsibility of the Commissioner of Revenue, exceed the applicable 1-year target returns.

**Measure #1:** Actual returns compared with target returns reported by consultant or the custodian bank.

**One-year Return Data for Funds Managed by the Treasury Division**

Year	Fund	Actual Return	Target Return
FY 2007	Gen Fund/Other Non-segregated F	5.60%	5.28%
FY 2007	AK Children's Trust Fund	17.87%	18.68%
FY 2007	Public School Trust Fund	12.51%	12.06%
FY 2007	Int'l Airports Revenue Fund	5.49%	5.32%
FY 2007	Const Budg Resv Fund-Main Acc	5.74%	5.48%
FY 2007	Const Budg Resv Fund-Sub Acc	15.26%	15.62%
FY 2007	Retirement Hlth Ins Fund-Longter	15.69%	16.74%
FY 2007	Retirement Hlth Ins Fund-Maj Med	8.84%	8.75%
FY 2007	Power Cost Equalization Fund	15.91%	16.26%

*FY2007 one-year return data is for the period 7/1/2006 through 6/30/2007.*

**Analysis of results and challenges:** A combination of investments that is expected to produce the highest investment return for a given amount of risk is known as "point on the efficient frontier." Each fiduciary for a fund reviews points on the efficient frontier and selects the combination of investments consistent with their appetite for risk and returns of the fund. This selection is known as the target return.

Target returns assume the earnings of passively managed indexes invested in the same proportions as the assets at the corresponding point on the efficient frontier. A fund will exceed the target rate of return if the amount of money invested matches the asset allocation or are overweighted to higher earning assets at that point on the efficient frontier and the investment managers earn more than their benchmark index. Conversely, returns will be less if the manager underperforms their benchmark or if assets were not allocated to overweight higher performing asset classes.

## B1: Strategy - Portfolio Investment Officer staff is continually upgraded in experience and education.

**Target #1:** Increase average longevity of the investment officers to 5 years.

**Measure #1:** The average longevity of investment officers (includes the Chief Investment Officer and the 5 public market and 3 private market staff reporting to the Chief Investment Officer.)

### Average Longevity of Investment Staff

Year	# of Years
FY 2003	N/A
FY 2004	2.6 years
FY 2005	2.8 years
FY 2006	3.8 years
FY 2007	4.6 years

**Analysis of results and challenges:** A seasoned investment staff contributes to improved investment performance. Over the past four years, investment performance relative to other public pension funds has markedly improved.

**Target #2:** At least 4 investment staff will have their Chartered Financial Analyst (CFA) designation.

**Measure #2:** Number of investment staff with Chartered Financial Analyst designation.

### Number of Staff Holding CFA Designation

Year	# of Staff
FY 2003	3
FY 2004	3
FY 2005	4
FY 2006	4
FY 2007	5

**Analysis of results and challenges:** The Chartered Financial Analyst (CFA) designation takes a minimum of three years to obtain. Investment returns have steadily improved, as has the average longevity of the investment staff and their individual progress towards obtaining CFA designations.

## C: Result - All eligible Alaskans, whose applications are not on appeal, receive their Permanent Fund Dividend (PFD) in October or November.

**Target #1:** 100% of eligible applicants not on appeal are paid in October (by direct deposit) or November (by warrant).

**Measure #1:** Percentage of eligible applicants not on appeal who are paid in October (by direct deposit) or November (by warrant).

### Eligible Applicants Paid in October or November

Year	% of Applicants
2002	93.6%
2003	93.7%
2004	94.0%
2005	96.0%
2006	99.6%

**Analysis of results and challenges:** The division exceeded the goal of 98% set for 2006. This can be attributed to additional increases in on-line filing, increased use of automation in processing, cross-utilization of staff, and implementation of the new Dividend Application Information System (DAIS II).



**C1: Strategy - Provide PFD staff with needed training to perform effectively.**

**Target #1:** 100% of new PFD staff receive standardized training within first three months.

**Measure #1:** Percentage of new staff that receive standardized training within first three months.

**Standardized Training of Staff Within First Three Months**

Year	% of Staff Trained
2004	50%
2005	100%
2006	100%

**Analysis of results and challenges:** Standardized training was developed and implemented between December 2003 and January 2004. This training is proving to be effective for all staff and is updated with each session taught. All new employees were given this training in 2006.

**D: Result - Collection and distribution of child support due to the children served by CSSD.**

**Target #1:** Increase collections by 3%, net Permanent Fund Dividend collections.

**Measure #1:** Percent of change in total collections, net PFD collections.

**Percent Change in Total Collections for a Fiscal Year**

Year	% Change
FY 2003	6.2%
FY 2004	4.2%
FY 2005	1.92%
FY 2006	3.72%
FY 2007	3.66%

**Analysis of results and challenges:** The division increased non-PFD collections from FY2006 to FY2007 in the amount of \$3,413,500 or 3.66%. Increasing total collections allows the division to increase distributions to custodial parents. This improves the financial support that benefits children's lives. The increase in FY2002 relates to the implementation of the mandatory multi-state federal financial institution data match program. During FY2003, the state financial institute data match program was initiated which accounted for the increase in that year. Non-PFD collections for FY2007 showed some increase from FY2006. The division continues to expect a steady but gradual increase in non-PFD collections above 3%.

**D1: Strategy - Improve the environment necessary for increased child support collections.**

**Target #1:** Ensure that paternities established are at least 100%.

**Measure #1:** Percentage of paternities established.

**Percentage of Paternities Established**

Year	Percentage Established
FFY 2003	89.3%
FFY 2004	87%
FFY 2005	105%
FFY 2006	98%
FFY 2007	91%

**Analysis of results and challenges:** Percentage of paternities established is measured by the federal government by taking the number of children statewide with paternity established or acknowledged in the current fiscal year (3,635 in FFY07) divided by the number of children born out of wedlock statewide for the prior fiscal year (4,002 in FFY06), which is 91%.

The number of paternities established since FFY 2005 has decreased, however the number of cases in the division needing paternity established has also decreased. This indicates that contingent factors out of the division's control are contributing to this decline; for instance, if the cases are still working their way through the court system or there is no attempt made by the family to establish paternity.

**Target #2:** Increase cases with orders to 93.5%.

**Measure #2:** Percentage of cases with orders.

#### Percentage of Cases With Orders

Year	Cases with Orders	Change from Prior Year
FY 2003	81%	NA
FY 2004	84.7%	3.7%
FY 2005	92.3%	7.6%
FY 2006	93.2%	0.9%
FY 2007	93.7%	0.5%

**Analysis of results and challenges:** Collections cannot be made without a proper order in place. Establishing this quickly and effectively is one of the keys to a successful child support program. Reviewing and streamlining the division's process in establishing orders will aid in the timeliness of collecting and distributing child support. The division continues to improve in this measure each year; overall from FY2006 to FY2007 the division increased the number of cases with orders by 0.50%

**Target #3:** Increase current collections to 56%.

**Measure #3:** Percentage of current collections.

#### Percentage of Current Collections

Year	Percentage
FFY 2003	53.2%
FFY 2004	54.2%
FFY 2005	52.0%
FFY 2006	54.9%
FFY 2007	56.6%

**Analysis of results and challenges:** In addition to being a main component of any child support program, collecting current money due is crucial to the financial well-being of the children it is intended to benefit. Increased information systems for new hires with the federal government and Alaska employers will enhance our ability to streamline the withholding process, improving the overall ability to collect current support quickly.

**Target #4:** Increase number of cases with arrearage collections to 71%.

**Measure #4:** Percentage of cases with arrearage collections.

#### Percentage of Cases with Arrearage Collections

Year	Percentage
FFY 2003	66.5%
FFY 2004	65.4%
FFY 2005	67.9%
FFY 2006	66.5%
FFY 2007	66.9%

**Analysis of results and challenges:** A higher concentration on cases with special collection needs will help the division to increase overall collections. CSSD, through a grant with the Department of Justice, assembled a team to focus on those cases that are hard to collect. This special collections program began in October, 2005 and ended in October, 2007. The division is continuing the important work of the special collections unit and we expect to continue to see improved results in this area.

**Target #5:** Ensure that the cost effectiveness ratio is at least \$4.10.

**Measure #5:** Cost effectiveness ratio.

#### Cost Effectiveness Ratio

Year	Ratio
FFY 2003	\$4.24
FFY 2004	\$4.42
FFY 2005	\$4.52
FFY 2006	\$4.24
FFY 2007	\$4.41

**Analysis of results and challenges:** Two components, expenses and collections, figure into this target. Overall, showing the highest possible amount of collections for the least amount spent is highly sought. The increase in our cost effectiveness for FFY07 is a direct result of increased collections for that period. However, in order to continue to maintain a high level of cost effectiveness the division must be able to increase collections by approximately four and one-half times more than the increase in expenses.

Additionally, CSSD anticipates that FFY08 and FFY09 could see a decline in our cost effectiveness. As the cost of doing business continues to increase, the amount of these increases in expenditures significantly outpaces our ability to increase collections, resulting in lower cost effectiveness.

**Target #6:** Reduce cases with no collections for one year or more to 12% or less of cases eligible for collections.

**Measure #6:** Percentage of cases with no collections for one year or more versus total cases eligible for collection.

#### Cases With No Collections for 1 Year or More

Year	Percentage of Cases	Change from Prior Year
FY 2003	NA	NA
FY 2004	23%	NA
FY 2005	12.92%	-10.08%
FY 2006	12.64%	-0.28%
FY 2007	12.23%	-0.41%

**Analysis of results and challenges:** A recent analysis of outstanding collections showed a relationship between those cases with the highest outstanding balances and those with no recent collections. A portion of the cases with no collections for one year or more are designated as "hard to collect". To address the problem of hard to collect cases, in October 2005, CSSD assembled a specialized team of child support specialists. It is anticipated that in FY2008 the percentage of cases with no collections will begin to decrease as more of the "hard to collect" cases are handled by this team. In FY2007 we saw a 0.41% overall decrease in the number of cases with no collections for one year or more. As of June 30, 2007, CSSD had reviewed a total of 1,078 cases and collections have been made on 573 of those cases totaling \$1,182,029.

### Prioritization of Agency Programs

(Statutory Reference AS 37.07.050(a)(13))

- |                                     |  |
|-------------------------------------|--|
| 1. Tax Division                     | 7. Alaska Permanent Fund Corporation         |
| 2. Treasury Management              | 8. Alaska Retirement Management Board        |
| 3. Child Support Services Division  | 9. Alaska Housing Finance Corporation        |
| 4. Permanent Fund Dividend Division | 10. Alaska Municipal Bond Bank Authority     |
| 5. Commissioner's Office            | 11. Alaska Mental Health Trust Authority     |
| 6. Administrative Services Division | 12. Alaska Natural Gas Development Authority |



## Component: Tax Division

### Contribution to Department's Mission

The mission of the Tax Division is to collect taxes, inform stakeholders and regulate charitable gaming.

### Core Services

- Facilitate voluntary taxpayer compliance
- Enforce tax and gaming statutes
- Account for and distribute revenues
- Inform stakeholders
- Participate in governor's new revenue and investment initiatives

End Result	Strategies to Achieve End Result
<p><b>A: Maximize compliance with current tax and gaming statutes.</b></p> <p><u>Target #1:</u> Percentage of taxes collected compared to taxes due between 92% and 98%.</p> <p><u>Measure #1:</u> Percentage of taxes collected compared to the taxes due.</p>	<p><b>A1: Increase audit coverage (audit activities improve compliance and revenue).</b></p> <p><u>Target #1:</u> Open 20 new audit cases (taxpayers that have not been audited by us in the prior five years).</p> <p><u>Measure #1:</u> Number of new audits opened.</p> <p><b>A2: Increase voluntary compliance from identifying non-filers.</b></p> <p><u>Target #1:</u> Find 30 non-filers through compliance work.</p> <p><u>Measure #1:</u> Number of non-filers brought into compliance.</p> <p><b>A3: Use refund requests as a measure for how effective we are in processing tax returns and return information.</b></p> <p><u>Target #1:</u> Issue 100% of tax refunds within statutory 90-day interest free (grace) period.</p> <p><u>Measure #1:</u> Percentage of refunds issued within 90 days of claim.</p> <p><b>A4: Use permit application process as a measure for how effective we are in regulating gaming.</b></p> <p><u>Target #1:</u> Reduce the percent of gaming applications that require follow up due to missing and incomplete forms to no more than 35% of all applicants.</p> <p><u>Measure #1:</u> Percentage of gaming applications received needing additional follow-up.</p> <p><b>A5: Increase number of audit hours.</b></p>

	<u>Target #1:</u> 3,000 hour increase in audit hours over prior year. <u>Measure #1:</u> Increase in audit hours over prior year.
End Result	Strategies to Achieve End Result
<b>B: Unclaimed property owners in Alaska will be united with their property.</b>  <u>Target #1:</u> Pay 15% more claims each year. <u>Measure #1:</u> Number of claims paid each year as compared to prior year.	<b>B1: Place primary focus on locating owners of most recently reported properties.</b>  <u>Target #1:</u> Unclaimed Property will initiate search of at least 50 owners per month. <u>Measure #1:</u> Number of owner searches performed per year.

### Major Activities to Advance Strategies

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| <ul style="list-style-type: none"> <li>• Enforce tax compliance through audit</li> <li>• Focus activity examination on high risk returns and errors</li> <li>• Streamline examination process</li> <li>• Employ IRS data and examination resources to identify non-filers</li> <li>• Implement performance tracking and process monitoring tools</li> <li>• Provide training workshops in key areas</li> </ul> | <ul style="list-style-type: none"> <li>• Encourage voluntary compliance by informing taxpayers of resources that allow them to fully comply</li> <li>• Account for program revenues</li> <li>• Publish well-used and statutorily required publications and website materials</li> <li>• Assist governor and legislature in developing new sources of revenue and increasing existing sources</li> <li>• Respond to revenue related legislation</li> </ul> |
|--|---|

### FY2009 Resources Allocated to Achieve Results

FY2009 Component Budget: \$14,587,100	<b>Personnel:</b>	
	Full time	125
	Part time	1
	<b>Total</b>	<b>126</b>

### Performance Measure Detail

#### A: Result - Maximize compliance with current tax and gaming statutes.

**Target #1:** Percentage of taxes collected compared to taxes due between 92% and 98%.

**Measure #1:** Percentage of taxes collected compared to the taxes due.

#### Taxes Collected Compared to Taxes Due

Year	% of Taxes Collected
FY 2003	98.5%
FY 2004	99.7%
FY 2005	98.6%
FY 2006	96.0%
FY 2007	105.4%

**Analysis of results and challenges:** This percentage is driven primarily by the Tax Division's collections

efforts. In the past, we believed that this percentage was indicative of the Division's compliance efforts. However, without the ability to reasonably estimate the amount of unreported taxes due to the state, this percentage is meaningless as a way to measure the Division's compliance efforts. In FY 2007, we collected more taxes due than what was owed during the fiscal year. This was the result of increased collection efforts and the resultant payment of back taxes owed to the State. FY 2007 was a banner year for the Division in this area. However, as stated above, this does not provide any feedback regarding our compliance activities. As such, the Division will reassess this performance measure for FY 2008 and future years and come up with a more realistic and meaningful method of measuring our success in tax and gaming compliance.

### **A1: Strategy - Increase audit coverage (audit activities improve compliance and revenue).**

**Target #1:** Open 20 new audit cases (taxpayers that have not been audited by us in the prior five years).

**Measure #1:** Number of new audits opened.

#### **Number of New Audit Cases Opened**

<b>Year</b>	<b># of Audit Cases</b>
FY 2003	13
FY 2004	7
FY 2005	14
FY 2006	5
FY 2007	42
FY 2008	Forecast: 20

**Analysis of results and challenges:** The Tax Division maintains 100% coverage in oil and gas income and production taxes (and new oil and gas audit subjects are not included in this measure). An audit presence in each of the other tax types improves long-term voluntary compliance as well as generates new audit revenues. Furthermore, once established, audit generated revenues tend to recur as taxpayers modify their reporting to become consistent with the audit findings. Not included in the new audit count are audits of exploration tax credit claims by existing taxpayers. These audits do not meet our definition of "new audits" although they represent new and expanded audit effort by the division. We exceeded our goal in FY 2007 as a result of new audit staff in the Corporate and Excise tax units. We also limited the scope on several audits, choosing to look at several taxpayers with similar audit issues as opposed to conducting a full audit of a few taxpayers. Limited scope audits not only allow us to audit more taxpayers, but they also allow us to focus on audit issues that have a greater return to the State.

We view twenty new audit subjects annually as an appropriate target and this remains our goal for FY2008.

### **A2: Strategy - Increase voluntary compliance from identifying non-filers.**

**Target #1:** Find 30 non-filers through compliance work.

**Measure #1:** Number of non-filers brought into compliance.

#### **New Filers through Compliance**

<b>Year</b>	<b># of New Filers</b>
FY 2004	38
FY 2005	45
FY 2006	900*
FY 2007	977*

*\*Internet tobacco tax compliance project yielded 700 new taxpayers in FY2006 and 868 new taxpayers in FY2007.*

**Analysis of results and challenges:** The Tax Division encourages voluntary compliance as the most effective tool for collecting tax revenues. An important aspect of voluntary compliance is for taxpayers to believe that they are paying about the same amount in taxes as other similarly situated taxpayers. Seeking out and finding new taxpayers and bringing them into compliance assists revenue both in long-term voluntary compliance as well as bringing in the revenues from the new taxpayers. The division does not believe there

are any major oil and gas taxpayers not filing, but we are going after the tax types that constitute the other 20% of its revenue responsibilities. This target and measure does not include federal or multi-state compliance programs in which we currently participate.

In FY2007, we conducted a major taxpayer education and compliance effort with the assistance of the Department of Natural Resources in the mining license tax program. Our efforts resulted in over 100 new taxpayers in this tax type. We also initiated a new Internet tobacco tax compliance project which yielded 868 new taxpayers. Although identifying non-filers is an important function of the Division, the number of non-filers identified is not as important as the number of compliance projects initiated. Therefore, in the future, our goal will be to initiate a specific number of compliance projects as opposed to generating new taxpayers.

### **A3: Strategy - Use refund requests as a measure for how effective we are in processing tax returns and return information.**

**Target #1:** Issue 100% of tax refunds within statutory 90-day interest free (grace) period.

**Measure #1:** Percentage of refunds issued within 90 days of claim.

#### **Refunds Issued Within 90 Days of Claim**

<b>Year</b>	<b>% of Refunds Issued</b>
FY 2003	64.02%
FY 2004	79.46%
FY 2005	78.63%
FY 2006	90.0%
FY 2007	97.4%
FY 2008	Forecast: 98.0%

**Analysis of results and challenges:** The Tax Division encourages voluntary compliance as the most effective tool for collecting tax revenues. Another important aspect of voluntary compliance is for the taxpayers to believe the division is timely, effective and efficient; and therefore, they are likely to suffer consequences if they are not fair in their dealings with the division. The division is using how well it processes refund requests as a proxy for how well it can process the information and money associated with returns, and then keep track of, retrieve, process and act on that information when requested. The Tax Division believes this is a good test for perceived competence with taxpayers, which in turn is reflected in voluntary compliance.

Our analysis of refund processing performance points to systems and staffing issues as the primary factors in meeting this target. Fully staffed programs supported by new systems met our target. Established programs with leaner staffing models and/or outdated systems failed to meet the target. System improvements were implemented and some increased staffing levels occurred in FY2007. In FY2007 we exceeded the previous target of 90% of tax refunds issued within the statutory period. We have also learned that it may take longer than 90 days to properly process a refund request and, at times, it makes sense to do so even if we pay interest on the refund. As such, we believe it is appropriate to lower our target from 100% to 98% issuance of tax refunds within 90 days of claim in FY2008.



#### **A4: Strategy - Use permit application process as a measure for how effective we are in regulating gaming.**

**Target #1:** Reduce the percent of gaming applications that require follow up due to missing and incomplete forms to no more than 35% of all applicants.

**Measure #1:** Percentage of gaming applications received needing additional follow-up.

##### **Gaming Applications that Require Follow-up**

<b>Year</b>	<b>% of Applications</b>
FY 2003	70%
FY 2004	39%
FY 2005	36%
FY 2006	35%
FY 2007	42%

**Analysis of results and challenges:** The Tax Division believes that voluntary compliance is tied to how competent and well organized the division is perceived to be. This measure specifically targets the gaming tax, for which the division also serves as the regulatory body. The Tax Division has created checklists and visual aids to assist applicants for permits in preparing a complete and accurate application the first time each time. The division believes this is a good test for the perceived competence with taxpayers, which in turn results in both voluntary compliance for the taxpayer and conformance with the gaming laws.

In FY2007, we did not meet our goal of no more than 35% of all applications requiring follow up. This goal was not reached for two specific reasons. First, we introduced our online permitting and licensing program to allow permittees to file their permit applications electronically. Second, we initiated an imaging project to digitize all paper application forms. The online filing program required considerable testing and training. The imaging project required a complete redesign of all paper application forms. As a result of time spent implementing these systems, permit applications were mailed out a month later than usual which cut back on the amount of time permittees had to complete and file their applications. We believe that reduction in the time to file applications caused permittees to rush through the process and make more errors than usual. Due to the new electronic system, we will not identify this component as a performance measure in the future.

#### **A5: Strategy - Increase number of audit hours.**

**Target #1:** 3,000 hour increase in audit hours over prior year.

**Measure #1:** Increase in audit hours over prior year.

##### **Change in Audit Hours over Prior Year**

<b>Year</b>	<b># of Hours</b>
FY 2005	(363)
FY 2006	(1,741)
FY 2007	7,500
FY 2008	Forecast: 2,000

**Analysis of results and challenges:** Although voluntary compliance remains our best tool for effective tax collection, that voluntary effort is enhanced by an audit presence, and therefore we need to increase our audit numbers.

The FY2005 and FY2006 results reflect auditor attrition, continued diversion of auditors, and unsuccessful recruitment. In FY2007, the Division stepped up recruiting efforts nationally and, although still below market, pay for professional audit staff increased significantly. In FY2006, we developed a comprehensive training plan for corporate tax auditors in coordination with current recruitment efforts under the new class specifications. With the increase in pay and the training plan, we exceeded our target increase in audit hours more than two-fold.

With increased staff and pay, we expect an additional increase in audit hours in FY2008. However, with

auditor resources expected to be focused on special projects, such as regulations for the new oil and gas and commercial passenger vessel taxes, the projected increase will be minimal.

## **B: Result - Unclaimed property owners in Alaska will be united with their property.**

**Target #1:** Pay 15% more claims each year.

**Measure #1:** Number of claims paid each year as compared to prior year.

### **Property Claims Paid per Year**

Year	# of Claims Paid	% Change from Prior Year
FY 2003	2,706	19.47%
FY 2004	1,780	-34.22%
FY 2005	4,061	128.15%
FY 2006	4,649	14%
FY 2007	5,111	10%
FY 2008		Forecast: 10%

**Analysis of results and challenges:** Claims filed can fluctuate significantly due to factors beyond our control. Claims initiated through contact with property owners will not always result in a claim being paid in the same fiscal year. In addition, we do not have control over a claimant's actions to return their signed claim form and include documentation required for payment. Although we fell short of our target in FY2007, we returned over \$2 million in property to Alaskans during the year. In FY2008, we opt for a more conservative goal of 10% due to the fact that we don't have control over claimant's actions.

## **B1: Strategy - Place primary focus on locating owners of most recently reported properties.**

**Target #1:** Unclaimed Property will initiate search of at least 50 owners per month.

**Measure #1:** Number of owner searches performed per year.

### **Owner Searches Performed by UCP**

Year	# of Searches
FY 2004	300
FY 2005	600
FY 2006	300
FY 2007	53

**Analysis of results and challenges:** The Unclaimed Property (UCP) staff conducts searches for property owners by selecting recently reported properties from the division's database and using online tools to locate the owners. The target is to search for 50 owners each month, however when there are fluctuations in staffing and/or workload the UCP places a priority on responding to claims requests from property owners which involves verifying claims and processing payments. In FY2007, UCP responded to 10% more claims than in FY2006 but as a result of staff turnover and workload prioritization, the target for number of owner searches was not met.

This approach of searching for owners is being updated in favor of the more effective method of conducting outreach to educate potential property owners of the existence of the program's website, with a searchable database and instructions for filing a claim. In addition, Alaska is part of a 40-state consortium which "advertises" unclaimed property on a single website called "Missing Money". Missing Money provides a single search method for individuals to look for unclaimed property in all 40 states. In the future, this performance measure will be revised accordingly.

## Component: Treasury Division

### Contribution to Department's Mission

The mission of the Treasury Division is to manage the state's funds consistent with prudent investment guidelines and Governmental Accounting Standards Board (GASB) rules.

### Core Services

Manage the investments of state funds under the fiduciary responsibility of the Commissioner of Revenue, or as requested by other fiduciaries, such as:

- General Fund
- International Airports Revenue Fund
- International Airports Construction Funds
- Constitutional Budget Reserve Fund
- Student Loan Bond Funds
- Alaska Children's Trust
- Exxon Valdez Oil Spill Trust Fund
- Power Cost Equalization Endowment Fund
- Public School Trust Fund
- Retiree Health Insurance Fund
- University of Alaska Trust Fund
- Permanent Fund Dividend Holding Account
- Alaska Mental Health Trust Reserve
- State pension funds
- Mine reclamation funds

Provide cash management and investment advice and services to all state agencies.

Provide capital financing advice and services to state agencies upon request.

Provide staff to the Alaska Retirement Management Board, the State Bond Committee and the Alaska Municipal Bond Bank Authority.

End Result	Strategies to Achieve End Result
<p><b>A: Improve the risk adjusted return of funds under the stewardship of the Treasury Division by continually improving investment returns.</b></p> <p><u>Target #1:</u> For the funds under the fiduciary responsibility of the Commissioner of Revenue, exceed the applicable 1-year target returns.</p> <p><u>Measure #1:</u> Actual returns compared with target returns reported by consultant or the custodian bank.</p>	<p><b>A1: Portfolio Investment Officer staff is continually upgraded in experience and education.</b></p> <p><u>Target #1:</u> Increase average longevity of the investment officers to 5 years.</p> <p><u>Measure #1:</u> The average longevity of investment officers (includes the Chief Investment Officer and the 5 public market and 3 private market staff reporting to the Chief Investment Officer.)</p> <p><u>Target #2:</u> At least 4 investment staff will have their Chartered Financial Analyst (CFA) designation.</p> <p><u>Measure #2:</u> Number of investment staff with Chartered Financial Analyst designation.</p>

End Result	Strategies to Achieve End Result
<p><b>B: Users receive accurate financial information on a timely basis.</b></p> <p><u>Target #1:</u> Unaudited financial data will be available online by the 10th business day of the month 100% of the time.</p> <p><u>Measure #1:</u> Percent of the time in a year that unaudited financial data is available online by the 10th business day (out of 12 months).</p>	<p><b>B1: Maximize efficiency through effective use of automation.</b></p> <p><u>Target #1:</u> Increase to 75% the number of fund financial statements that are produced using fully automated downloads from the custodian.</p> <p><u>Measure #1:</u> Percent of fund financial statements that are prepared using fully automated downloads compared to number of funds for which financial statements are prepared.</p> <p><u>Target #2:</u> Increase to 75% the number of pools that are reconciled using automated processes.</p> <p><u>Measure #2:</u> Percent of pools that are reconciled using automated processes.</p>
End Result	Strategies to Achieve End Result
<p><b>C: A low cost of State indebtedness.</b></p> <p><u>Target #1:</u> Yields at which the state issues debt will not exceed 30 basis points of the applicable benchmark.</p> <p><u>Measure #1:</u> Percent of times bonds are issued at no more than 30 basis points over benchmark. The benchmark shall be the Municipal Market Date rate for comparable debt as reported by the Bond Buyer.</p>	<p><b>C1: Documents updating statewide fiscal and economic events sent to Moody's, other credit rating agencies, overall market for public finance.</b></p> <p><u>Target #1:</u> Formal visit, bond issue update, or updated document template sent or presented to ratings agencies at least four times per year.</p> <p><u>Measure #1:</u> Number of times ratings agencies are provided with updates each year.</p>
End Result	Strategies to Achieve End Result
<p><b>D: Cash management services essential to the operation of state government are timely and accurate.</b></p> <p><u>Target #1:</u> 100% of all daily cash management services essential to the operation of state government are processed on time with no avoidable errors caused by internal staff or systems.</p> <p><u>Measure #1:</u> Percentage of all daily cash management services essential to the operation of state government that are processed on time with no avoidable errors caused by internal staff or systems.</p>	<p><b>D1: Provide sufficient training and cross training of staff in the cash management services essential to the operation of state government.</b></p> <p><u>Target #1:</u> 100% of staff receive sufficient training so that all cash management services essential to the operation of state government are performed timely and accurately.</p> <p><u>Measure #1:</u> Percentage of annual cross training plan performed.</p>

### Major Activities to Advance Strategies

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Define roles of potential new asset class managers and perform adequate due diligence.</li> <li>• Financially support meeting professional designation targets and ongoing education requirements of the division's professional staff.</li> <li>• Have programmer work with external custodian to automate download of accounting data.</li> <li>• Have accounting staff develop macro-driven</li> </ul> | <ul style="list-style-type: none"> <li>• Poll banks to receive daily data.</li> <li>• Inform state agencies of cash control needs and techniques.</li> <li>• Define state fund intercept authority and moral obligation for credit markets and credit rating agencies.</li> <li>• Staff State Bond Committee.</li> <li>• Work with all public debt issuers in Alaska to defend</li> </ul> |
|--|---|

### Major Activities to Advance Strategies

- spreadsheets that can take auto-downloaded data and compile the financial reports with no intervention.
- Work with Bloomberg and custodian to automate reconciliation process.
- state credit rating.

### FY2009 Resources Allocated to Achieve Results

**FY2009 Component Budget: \$6,164,500**

**Personnel:**

Full time	37
Part time	0
<b>Total</b>	<b>37</b>

### Performance Measure Detail

#### A: Result - Improve the risk adjusted return of funds under the stewardship of the Treasury Division by continually improving investment returns.

**Target #1:** For the funds under the fiduciary responsibility of the Commissioner of Revenue, exceed the applicable 1-year target returns.

**Measure #1:** Actual returns compared with target returns reported by consultant or the custodian bank.

#### One-year Return Data for Funds Managed by the Treasury Division

Year	Fund	Actual Return	Target Return
FY 2007	Gen Fund/Other Non-segregated F	5.60%	5.28%
FY 2007	AK Children's Trust Fund	17.87%	18.68%
FY 2007	Public School Trust Fund	12.51%	12.06%
FY 2007	Int'l Airports Revenue Fund	5.49%	5.32%
FY 2007	Const Budg Resv Fund-Main Acc	5.74%	5.48%
FY 2007	Const Budg Resv Fund-Sub Acc	15.26%	15.62%
FY 2007	Retirement Hlth Ins Fund-Longter	15.69%	16.74%
FY 2007	Retirement Hlth Ins Fund-Maj Med	8.84%	8.75%
FY 2007	Power Cost Equalization Fund	15.91%	16.26%

*FY2007 one-year return data is for the period 7/1/2006 through 6/30/2007.*

**Analysis of results and challenges:** A combination of investments that is expected to produce the highest investment return for a given amount of risk is known as "point on the efficient frontier." Each fiduciary for a fund reviews points on the efficient frontier and selects the combination of investments consistent with their appetite for risk and returns of the fund. This selection is known as the target return.

Target returns assume the earnings of passively managed indexes invested in the same proportions as the

assets at the corresponding point on the efficient frontier. A fund will exceed the target rate of return if the amount of money invested matches the asset allocation or are overweighted to higher earning assets at that point on the efficient frontier and the investment managers earn more than their benchmark index. Conversely, returns will be less if the manager underperforms their benchmark or if assets were not allocated to overweight higher performing asset classes.

### **A1: Strategy - Portfolio Investment Officer staff is continually upgraded in experience and education.**

**Target #1:** Increase average longevity of the investment officers to 5 years.

**Measure #1:** The average longevity of investment officers (includes the Chief Investment Officer and the 5 public market and 3 private market staff reporting to the Chief Investment Officer.)

#### **Average Longevity of Investment Staff**

<b>Year</b>	<b># of Years</b>
FY 2003	N/A
FY 2004	2.6 years
FY 2005	2.8 years
FY 2006	3.8 years
FY 2007	4.6 years

**Analysis of results and challenges:** A seasoned investment staff contributes to improved investment performance. Over the past four years, investment performance relative to other public pension funds has markedly improved.

**Target #2:** At least 4 investment staff will have their Chartered Financial Analyst (CFA) designation.

**Measure #2:** Number of investment staff with Chartered Financial Analyst designation.

#### **Number of Staff Holding CFA Designation**

<b>Year</b>	<b># of Staff</b>
FY 2002	3
FY 2003	3
FY 2004	3
FY 2005	4
FY 2006	4
FY 2007	5

**Analysis of results and challenges:** The Chartered Financial Analyst (CFA) designation takes a minimum of three years to obtain. Investment returns have steadily improved, as has the average longevity of the investment staff and their individual progress towards obtaining CFA designations.

**B: Result - Users receive accurate financial information on a timely basis.**

**Target #1:** Unaudited financial data will be available online by the 10th business day of the month 100% of the time.

**Measure #1:** Percent of the time in a year that unaudited financial data is available online by the 10th business day (out of 12 months).

**Percent of Months with Financial Data Available by 10th Business Day**

Year	% of Months
FY 2002	100%
FY 2003	100%
FY 2004	100%
FY 2005	100%
FY 2006	90%
FY 2007	92%
FY 2008	Forecast: 92%

**Analysis of results and challenges:** Treasury Asset Accounting works diligently to shorten the time that month-end financial statements are available for management and other users. In order to make it easier for client agencies, board members and the public to access financial information, unaudited financial statements are prepared and posted to the Treasury Division web site. The target completion date for preparing the monthly information is the tenth business day of the month. This target was not met in FY2007 due to high turnover of accounting staff and delays in the monthly closing processes caused by external third parties. The loss of experienced staff and the natural training period led to delays in preparing and posting the financial statements to the web.

**B1: Strategy - Maximize efficiency through effective use of automation.**

**Target #1:** Increase to 75% the number of fund financial statements that are produced using fully automated downloads from the custodian.

**Measure #1:** Percent of fund financial statements that are prepared using fully automated downloads compared to number of funds for which financial statements are prepared.

**Percent of Funds with Electronically Prepared Financial Statements**

Year	% of Funds
FY 2006	0%
FY 2007	50%
FY 2008	Forecast: 75%

**Analysis of results and challenges:** The Division currently downloads financial data from the custodian monthly and then manually creates the financial reports. We are working with the custodian to fully automate the entire process.

**Target #2:** Increase to 75% the number of pools that are reconciled using automated processes.

**Measure #2:** Percent of pools that are reconciled using automated processes.

**Percent of Pools Reconciled Electronically**

Year	% of Pools
FY 2006	0%
FY 2007	50%
FY 2008	Forecast: 75%

**Analysis of results and challenges:** The Treasury Division works much like a mutual fund by pooling assets to achieve lower fees and more access to investment options. The division invests over \$9 billion of domestic fixed income investments internally and has over 20 external investment managers working to maximize

investment returns for the given risk profiles for each fund fiduciary (board, commissioner or client agency). The division currently downloads financial data from the custodian each month and then manually creates the financial reports. We are working with the custodian to fully automate the entire process.

### **C: Result - A low cost of State indebtedness.**

**Target #1:** Yields at which the state issues debt will not exceed 30 basis points of the applicable benchmark.

**Measure #1:** Percent of times bonds are issued at no more than 30 basis points over benchmark. The benchmark shall be the Municipal Market Date rate for comparable debt as reported by the Bond Buyer.

#### **Percent of Bonds Issued at Less Than 30 bp Over Benchmark**

<b>Year</b>	<b>Percent of Bonds</b>
FY 2003	100%
FY 2004	100%
FY 2005	100%
FY 2006	100%
FY 2007	100%
FY 2008	Forecast: 100%

### **C1: Strategy - Documents updating statewide fiscal and economic events sent to Moody's, other credit rating agencies, overall market for public finance.**

**Target #1:** Formal visit, bond issue update, or updated document template sent or presented to ratings agencies at least four times per year.

**Measure #1:** Number of times ratings agencies are provided with updates each year.

#### **Updates Provided to Ratings Agencies**

<b>Year</b>	<b># of Updates</b>
FY 2006	5
FY 2007	4
FY 2008	Forecast: 4



## D: Result - Cash management services essential to the operation of state government are timely and accurate.

**Target #1:** 100% of all daily cash management services essential to the operation of state government are processed on time with no avoidable errors caused by internal staff or systems.

**Measure #1:** Percentage of all daily cash management services essential to the operation of state government that are processed on time with no avoidable errors caused by internal staff or systems.

### Essential Cash Management Services

Year	Service	Timely	Accurate
FY 2007	Determine cash requirements	97%	100%
FY 2007	Cash flow forecasting	98%	100%
FY 2007	Electronic payment initiation	100%	100%
FY 2007	Cash reconciliation	100%	100%
FY 2007	Recording bank activity	100%	100%
FY 2007	Drawdown fed funds	100%	100%
FY 2006	Interfund transfers	98%	100%
FY 2007	Record GF balance	93%	100%
FY 2007	Bank deposits	100%	100%
FY 2007	International payments	93%	100%

**Analysis of results and challenges:** Over the past few years, Cash Management has experienced an increase in workload volume and complexity due to implementing new systems and processes, increases in fraud attempts, and increased demands from state agencies. As a result, there is less time to work on the most essential tasks, which in turn has a detrimental effect on Cash Management's ability to perform work accurately. In addition, Cash Management has not been able to complete cross-training of all section staff to the degree necessary to ensure all mission-critical duties that must be performed each business day are executed without fail.

## D1: Strategy - Provide sufficient training and cross training of staff in the cash management services essential to the operation of state government.

**Target #1:** 100% of staff receive sufficient training so that all cash management services essential to the operation of state government are performed timely and accurately.

**Measure #1:** Percentage of annual cross training plan performed.

### Cross Training Completed

Year	Percentage
FY 2006	76%
FY 2007	77%
FY 2008	Forecast: 100%

*This is a new measure for FY2006*

**Analysis of results and challenges:** Over the past few years, Cash Management has experienced an increase in workload volume and complexity due to implementing new systems and processes, increases in fraud attempts, and increased demands from state agencies. As a result, Cash Management has not been able to complete cross-training of all section staff. This remains a goal for FY2008.

## Component: Alaska Retirement Management Board

### Contribution to Department's Mission

The mission of the Alaska Retirement Management Board is to manage state pension funds.

### Core Services

- Invest the funds of the state pension plans:
  - Public Employees' Retirement System
  - Teachers' Retirement System
  - Judicial Retirement System
  - Alaska National Guard and Alaska Naval Militia Retirement System
  - Health Reimbursement Arrangement Plan
  - Retirement Medical Plan.
- Select and monitor appropriate investment options for Supplemental Benefits System (SBS), Deferred Compensation and Defined Contribution Plan.
- Report to the governor, legislature, individual employers and other stakeholders the financial condition of the systems with regard to:
  - Valuation of trust fund assets and liabilities;
  - Current investment policies adopted by the board;
  - A summary of assets held in trust listed by the categories of investment;
  - The income and expenditures for the previous fiscal year;
  - One-year, three-year, five-year and 10-year investment performance for each of the funds entrusted to the board; and
  - Other statistical data necessary for a proper understanding of the financial status of the systems.

End Result	Strategies to Achieve End Result
<p><b>A: Improve the risk adjusted return of funds under the stewardship of the ARMB by continually improving investment returns.</b></p> <p><u>Target #1:</u> Exceed 1-year, 3-year and 5-year target returns.</p> <p><u>Measure #1:</u> Actual returns compared with target returns reported by consultant.</p> <p><u>Target #2:</u> Exceed a Sharpe ratio of zero.</p> <p><u>Measure #2:</u> Sharpe ratio.</p>	<p><b>A1: Recognize possible improvements to asset allocation decisions through evaluation of greater diversification by expanding the number of asset classes. (NOTE: Asset allocation is the single largest contributor to total return.)</b></p> <p><u>Target #1:</u> Perform in-depth education on and analysis of at least one investment approach.</p> <p><u>Measure #1:</u> Number of new investment approaches that the board evaluates annually.</p>

### FY2009 Resources Allocated to Achieve Results

**FY2009 Component Budget: \$6,713,500**

**Personnel:**

Full time	0
Part time	0
<b>Total</b>	<b>0</b>

### Performance Measure Detail

#### **A: Result - Improve the risk adjusted return of funds under the stewardship of the ARMB by continually improving investment returns.**

**Target #1:** Exceed 1-year, 3-year and 5-year target returns.

**Measure #1:** Actual returns compared with target returns reported by consultant.

#### **One-year, Three-year and Five-year Return Data for Retirement Funds as of June 30, 2007**

Year	Retirement Fund	1-Year Actual	1-Year Target	3-Year Actual	3-Year Target	5-Year Actual / Target
FY 2007	PERS Total Plan	18.87%	17.01%	13.06%	11.86%	11.48% / 10.76%
FY 2007	TRS Total Plan	18.90%	17.01%	13.09%	11.86%	11.50% / 10.76%
FY 2007	Judicial Total Plan	18.41%	17.13%	12.62%	12.16%	11.26% / 11.56%
FY 2007	Military Total Plan	13.32%	12.06%	8.85%	7.93%	8.42% / 7.93%
FY 2007	91-Day T-Bill	5.20%		3.78%		2.76% /

*FY2007 one-year return data is for the period 7/1/2006 through 6/30/2007.*

**Analysis of results and challenges:** A combination of investments that is expected to produce the highest investment return for a given amount of risk is known as "point on the efficient frontier." Each fiduciary for a fund reviews points on the efficient frontier and selects the combination of investments consistent with their appetite for risk and returns of the fund. This selection is known as the target return.

Target returns assume the earnings of passively managed indexes invested in the same proportions as the assets at the corresponding point on the efficient frontier. A fund will exceed the target rate of return if the amount of money invested matches the asset allocation or are overweighted to higher earning assets at that point on the efficient frontier and the investment managers earn more than their benchmark index. Conversely, returns will be less if the manager underperforms their benchmark or if assets were not allocated to overweight higher performing asset classes.

**Target #2:** Exceed a Sharpe ratio of zero.

**Measure #2:** Sharpe ratio.

#### **One-year, Three-year and Five-year Sharpe Ratio as of June 30, 2007**

Year	Retirement Fund	1-Year Sharpe Ratio	3-Year Sharpe Ratio	5-Year Sharpe Ratio
FY 2007	PERS Total Plan	1.05	0.54	0.38
FY 2007	TRS Total Plan	1.05	0.54	0.38
FY 2007	Judicial Total Plan	0.97	0.49	0.35
FY 2007	Military Total Plan	0.81	0.42	0.34

*FY2007 one-year return data is for the period 7/1/2006 through 6/30/2007.*

***A1: Strategy - Recognize possible improvements to asset allocation decisions through evaluation of greater diversification by expanding the number of asset classes. (NOTE: Asset allocation is the single largest contributor to total return.)***

**Target #1:** Perform in-depth education on and analysis of at least one investment approach.

**Measure #1:** Number of new investment approaches that the board evaluates annually.

**Analysis of results and challenges:** The Board will continue to evaluate new asset classes at their annual educational workshop.

## Component: Permanent Fund Dividend Division

### Contribution to Department's Mission

The mission of the Permanent Fund Dividend Division is to administer the Permanent Fund Dividend Program.

### Core Services

- Administration of the annual Permanent Fund Dividend (PFD) application and eligibility process
- Investigation and prosecution of PFD fraud; collection of dividend payments made to ineligible applicants
- Administration of the appeals process for denied applicants
- Garnishee dividends as appropriate
- Provide information from the PFD database

End Result	Strategies to Achieve End Result
<p><b>A: All eligible Alaskans, whose applications are not on appeal, receive their Permanent Fund Dividend in October or November.</b></p> <p><u>Target #1:</u> 100% of eligible applicants not on appeal are paid in October (by direct deposit) or November (by warrant).</p> <p><u>Measure #1:</u> Percentage of eligible applicants not on appeal who are paid in October (by direct deposit) or November (by warrant).</p>	<p><b>A1: Provide staff with needed training to perform effectively.</b></p> <p><u>Target #1:</u> 100% of new staff receive standardized training within first three months.</p> <p><u>Measure #1:</u> Percentage of new staff that receive standardized training within first three months.</p> <p><b>A2: Maximize use of staff across unit lines throughout the cycle.</b></p> <p><u>Target #1:</u> 100% of non-managerial eligibility staff are cross-trained to work in at least one other functional area.</p> <p><u>Measure #1:</u> Percentage of non-managerial eligibility staff trained to work in at least one other functional area.</p> <p><b>A3: Increase use by the public of online filing and applicant support services.</b></p> <p><u>Target #1:</u> 80% of applications filed during the application period are filed online by 2009.</p> <p><u>Measure #1:</u> Percentage of applicants that use online filing.</p>
End Result	Strategies to Achieve End Result
<p><b>B: Processing cost per application is reduced or maintained.</b></p> <p><u>Target #1:</u> Maintain actual cost of processing at or below FY2004 cost per application</p> <p><u>Measure #1:</u> Actual cost per application (in nominal dollars)</p>	<p><b>B1: Reduce manual linking of supplemental documents.</b></p> <p><u>Target #1:</u> 50% of supplemental documents are electronically linked by the 2006 dividend cycle.</p> <p><u>Measure #1:</u> Percentage of documents that are electronically linked.</p>

End Result	Strategies to Achieve End Result
<b>C: Fraudulently filed PFD applications are identified, denied/assessed, and civil or criminal penalties applied as provided by law.</b>  <u>Target #1:</u> Decrease the percentage of fraudulent applications to net applications. <u>Measure #1:</u> Percentage of fraudulent applications identified as compared to net applications received.	<b>C1: Perform audits to identify fraudulently filed applications.</b>  <u>Target #1:</u> Identify and implement audits as fraudulent patterns emerge. <u>Measure #1:</u> New audits initiated or existing audits refined.

### Major Activities to Advance Strategies

- Expand myAlaska online application to all applicants.
- Offer early payment incentives to applicants who file online, in January, and select direct deposit.
- Expand functionality of online applicant status inquiry and information maintenance.
- Complete DAIS III, the eligibility and case management piece of the applicant database.
- Complete the new PFD payment system.
- Publicize prosecuted criminal activity.
- Provide standardized training to new staff.
- Cross train staff to work in more than one functional area.
- Allocate staff across unit lines to address peak workload.

### FY2009 Resources Allocated to Achieve Results

**FY2009 Component Budget: \$6,966,800**

**Personnel:**

Full time	76
Part time	14
<b>Total</b>	<b>90</b>

### Performance Measure Detail

#### A: Result - All eligible Alaskans, whose applications are not on appeal, receive their Permanent Fund Dividend in October or November.

**Target #1:** 100% of eligible applicants not on appeal are paid in October (by direct deposit) or November (by warrant).

**Measure #1:** Percentage of eligible applicants not on appeal who are paid in October (by direct deposit) or November (by warrant).

#### Eligible Applicants Paid in October or November

Year	Percentage Paid
2002	93.6%
2003	93.7%
2004	94.0%
2005	96.0%
2006	99.6%

**Analysis of results and challenges:** The division exceeded the goal of 98% set for 2006. This can be attributed to additional increases in on-line filing, increased use of automation in processing, cross-utilization

of staff, and implementation of the new Dividend Application Information System (DAIS II).

### **A1: Strategy - Provide staff with needed training to perform effectively.**

**Target #1:** 100% of new staff receive standardized training within first three months.

**Measure #1:** Percentage of new staff that receive standardized training within first three months.

#### **Standardized Training of Staff Within First Three Months**

<b>Year</b>	<b>% of Staff Trained</b>
2004	50%
2005	100%
2006	100%

**Analysis of results and challenges:** Standardized training was developed and implemented between December 2003 and January 2004. This training is proving to be effective for all staff and is updated with each session taught. All new employees were given this training in 2006.

### **A2: Strategy - Maximize use of staff across unit lines throughout the cycle.**

**Target #1:** 100% of non-managerial eligibility staff are cross-trained to work in at least one other functional area.

**Measure #1:** Percentage of non-managerial eligibility staff trained to work in at least one other functional area.

#### **Staff Trained to Work in Other Units**

<b>Year</b>	<b>% of Staff</b>
2004	75%
2005	100%
2006	100%

**Analysis of results and challenges:** This target has been accomplished and procedures put in place to assure that new employees are cross-trained during their first year. The new PFD job classification scheme is based on cross-training of all technical staff.

### **A3: Strategy - Increase use by the public of online filing and applicant support services.**

**Target #1:** 80% of applications filed during the application period are filed online by 2009.

**Measure #1:** Percentage of applicants that use online filing.

#### **Applicants Using Online Filing**

<b>Year</b>	<b>% of Online Filers</b>	<b>% Change from Prior Year</b>
2002	14.0%	--
2003	24.9%	10.9%
2004	25.2%	0.3%
2005	34.0%	8.8%
2006	57.1%	23.1%
2007	66.6%	9.5%
2008	Forecast: 71%	

**Analysis of results and challenges:** The number of PFD applicants applying online in 2007 exceeded the 2007 forecast of 63%. The forecast for 2008 is that 71% of all applicants filing during the application period will file online.

**B: Result - Processing cost per application is reduced or maintained.**

**Target #1:** Maintain actual cost of processing at or below FY2004 cost per application

**Measure #1:** Actual cost per application (in nominal dollars)

**Actual Cost per Application (in nominal dollars)**

Year	Cost per Application
FY 2003	\$9.73
FY 2004	\$9.42
FY 2005	\$9.39
FY 2006	\$9.77
FY 2007	\$11.11

**B1: Strategy - Reduce manual linking of supplemental documents.**

**Target #1:** 50% of supplemental documents are electronically linked by the 2006 dividend cycle.

**Measure #1:** Percentage of documents that are electronically linked.

**Analysis of results and challenges:** This target was met during the 2006 dividend cycle. Over 53% of the 1 million documents associated with the 2006 application cycle were electronically linked. The division does not have the technology to electronically link the remaining documents which include such things as birth certificates, immigration papers, and travel documents.

**C: Result - Fraudulently filed PFD applications are identified, denied/assessed, and civil or criminal penalties applied as provided by law.**

**Target #1:** Decrease the percentage of fraudulent applications to net applications.

**Measure #1:** Percentage of fraudulent applications identified as compared to net applications received.

**Fraudulent PFD Applications Identified**

Year	# Fraudulent App's ID'd	# Net Applications	% of Fraudulent App's
2005	1,760	627,342	0.28%
2006	2,249	623,531	0.36%

*Net applications are total applications filed, less invalid (duplicate) applications.*

**Analysis of results and challenges:** Although there was an increase in the percentage of applications determined to be fraudulent from 2005 to 2006, this was due in large part to the division's refinement of the "Out-of-State Internet Provider" audit that identified over 700 additional fraudulent applications. This audit identifies applicants who file online from out-of-state while claiming to be in Alaska.

In addition to improved audit results, fraud tips decreased and fewer applications were filed in 2006, indicating fewer fraudulent individuals filing for the dividend. Once the division reaches a plateau using pattern analysis and deterrence measures, the percentage of applications filed that are determined to be fraudulent should decrease.

**C1: Strategy - Perform audits to identify fraudulently filed applications.**

**Target #1:** Identify and implement audits as fraudulent patterns emerge.

**Measure #1:** New audits initiated or existing audits refined.

**Analysis of results and challenges:** Two special audits were conducted during 2006:

A new audit was implemented that focused on direct deposit advices returned by the Postal Service with out-of-state forwarding information. This audit resulted in denial of 73 applications.



The "Out-of-State Internet Provider" audit was conducted for the second year. This audit identifies applicants who file online from out-of-state while claiming to be in Alaska. Refinements made to the audit process resulted in 925 fraudulent applications identified, an increase of 776 when compared to 2005.

**RDU/Component: Child Support Services Division***(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)***Contribution to Department's Mission**

The mission of the Child Support Services Division is to collect and distribute child support.

**Core Services**

- Establish paternity and child support
- Review and adjust cases
- Enforce cash and medical support

End Result	Strategies to Achieve End Result
<p><b>A: Collection and disbursement of child support due to the children served by CSSD.</b></p> <p><u>Target #1:</u> Increase collections by 3%, net Permanent Fund Dividend collections.</p> <p><u>Measure #1:</u> Percent of change in total collections, net PFD collections.</p> <p><u>Target #2:</u> Increase disbursements of child support payments by 1.8%.</p> <p><u>Measure #2:</u> Percent of change in total disbursements.</p>	<p><b>A1: Improve the environment necessary for increased collections.</b></p> <p><u>Target #1:</u> Ensure that paternitys established are at least 100%.</p> <p><u>Measure #1:</u> Percentage of paternitys established.</p> <p><u>Target #2:</u> Increase cases with orders to 93.5%.</p> <p><u>Measure #2:</u> Percentage of cases with orders.</p> <p><u>Target #3:</u> Increase current collections to 56%.</p> <p><u>Measure #3:</u> Percentage of current collections.</p> <p><u>Target #4:</u> Increase number of cases with arrearage collections to 71%.</p> <p><u>Measure #4:</u> Percentage of cases with arrearages with collections.</p> <p><u>Target #5:</u> Ensure that the cost effectiveness ratio is at least \$4.10.</p> <p><u>Measure #5:</u> Cost effectiveness ratio.</p> <p><u>Target #6:</u> Reduce cases with no collections for one year or more to 12% or less of cases eligible for collections.</p> <p><u>Measure #6:</u> Percentage of cases with no collections for one year or more versus total cases eligible for collection.</p> <p><b>A2: Improve the efficiency of distributing child support.</b></p> <p><u>Target #1:</u> Increase recipients on automated distribution to 60%.</p> <p><u>Measure #1:</u> Percentage of recipients receiving automated distribution.</p> <p><u>Target #2:</u> Ensure that money on hold, less those categories that are out of the division's control, is less</p>

	<p>than 0.4% (four-tenths of a percent).</p> <p><u>Measure #2:</u> Percentage of money on hold, less those categories that the division cannot or should not affect.</p> <p><b>A3: Improve customer service.</b></p> <p><u>Target #1:</u> Wait times for telephone calls are reduced to an average of 3 minutes.</p> <p><u>Measure #1:</u> Average telephone call wait times.</p>
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### Major Activities to Advance Strategies

- Improve communications and processes with clients and other state and federal agencies.
- Continue the work of the special collections unit.
- Prosecute criminal non-support when appropriate.
- Review and adjust cases, establish paternity, locate employers and assets of non-custodial parents, and create and modify support orders.
- Increase electronic payments and disbursements of child support through outreach to our clients by making clients aware of the options available.
- Institute full collection of arrearages for the passport denial/release program.
- Continue to notify clients of the change in the amount of arrearages on the passport denial program from a \$5000 to \$2500 threshold.
- Expand the state-owed arrearage abatement program.
- Provide presentations and outreach to businesses, non-profits and faith-based organizations, ethnic populations, schools, and mass media.
- Work on improving customer service by providing more personal contact; respond timely with written responses to our clients' questions and concerns.
- Provide employers' with the option of reporting employment information on-line.
- Provide our clients with the ability to look up their statement on-line.

### FY2009 Resources Allocated to Achieve Results

**FY2009 Component Budget: \$24,436,300**

**Personnel:**

Full time	232
Part time	0
<b>Total</b>	<b>232</b>

## Performance Measure Detail

### A: Result - Collection and disbursement of child support due to the children served by CSSD.

**Target #1:** Increase collections by 3%, net Permanent Fund Dividend collections.

**Measure #1:** Percent of change in total collections, net PFD collections.

#### Percent Change in Total Collections for a Fiscal Year

Year	% Change
FY 2003	6.2%
FY 2004	4.2%
FY 2005	1.92%
FY 2006	3.72%
FY 2007	3.66%

**Analysis of results and challenges:** The division increased non-PFD collections from FY2006 to FY2007 in the amount of \$3,413,500 or 3.66%. Increasing total collections allows the division to increase distributions to custodial parents. This improves the financial support that benefits children's lives. During FY2003, the state financial institute data match program was initiated which accounted for the increase in that year. Non-PFD collections for FY2007 showed some increase from FY2006. The division continues to expect a steady but gradual increase in non-PFD collections above 3%.

**Target #2:** Increase disbursements of child support payments by 1.8%.

**Measure #2:** Percent of change in total disbursements.

#### Disbursements of Child Support Payments

Year	% of Change
FY 2005	1.77%
FY 2006	1.45%
FY 2007	4.85%

**Analysis of results and challenges:** This measure works with the amount of collections received in the fiscal year; if collections have increased then disbursements should also increase. This measure also works in conjunction with the "money on hold" measure (see CSSD strategy A2, measure #2); if there is less money on hold then disbursements should also increase.

### A1: Strategy - Improve the environment necessary for increased collections.

**Target #1:** Ensure that paternities established are at least 100%.

**Measure #1:** Percentage of paternities established.

#### Percentage of Paternities Established

Year	Percentage
FFY 2003	89.3%
FFY 2004	87%
FFY 2005	105%
FFY 2006	98%
FFY 2007	91%

**Analysis of results and challenges:** Percentage of paternities established is measured by the federal government by taking the number of children statewide with paternity established or acknowledged in the current fiscal year (3,635 in FFY07) divided by the number of children born out of wedlock statewide for the prior fiscal year (4,002 in FFY06), which is 91%.

The number of paternities established since FFY 2005 has decreased, however the number of cases in the division needing paternity established has also decreased. This indicates that contingent factors out of the division's control are contributing to this decline; for instance, if the cases are still working their way through the court system or there is no attempt made by the family to establish paternity.

**Target #2:** Increase cases with orders to 93.5%.

**Measure #2:** Percentage of cases with orders.

#### Percentage of Cases with Orders

Year	Cases with Orders	Change from Prior Year
FY 2003	81%	NA
FY 2004	84.7%	3.7%
FY 2005	92.3%	7.6%
FY 2006	93.2%	0.9%
FY 2007	93.7%	0.5%

**Analysis of results and challenges:** Collections cannot be made without a proper order in place.

Establishing this quickly and effectively is one of the keys to a successful child support program. Reviewing and streamlining the division's process in establishing orders will aid in the timeliness of collecting and distributing child support. The division continues to improve in this measure each year; overall from FY2006 to FY2007 the division increased the number of cases with orders by 0.50%.

**Target #3:** Increase current collections to 56%.

**Measure #3:** Percentage of current collections.

#### Percentage of Current Collections

Year	Percentage
FFY 2003	53.2%
FFY 2004	54.2%
FFY 2005	52.0%
FFY 2006	54.9%
FFY 2007	56.6%

**Analysis of results and challenges:** An addition to being a main component of any child support program, collecting current money due is crucial to the financial well-being of the children it is intended to benefit. Increased information systems for new hires with the federal government and Alaska employers will enhance our ability to streamline the withholding process, improving the overall ability to collect current support quickly.

**Target #4:** Increase number of cases with arrearage collections to 71%.

**Measure #4:** Percentage of cases with arrearages with collections.

#### Percentage of Cases with Arrearage Collections

Year	Percentage
FFY 2003	66.5%
FFY 2004	65.4%
FFY 2005	67.9%
FFY 2006	66.5%
FFY 2007	66.9%

**Analysis of results and challenges:** A higher concentration on cases with special collection needs will help the division to increase overall collections. CSSD, through a grant with the Department of Justice, assembled a team to focus on those cases that are hard to collect. This special collections program began in October, 2005 and ended in October, 2007. The division is continuing the important work of the special collections unit and we expect to continue to see improved results in this area.

**Target #5:** Ensure that the cost effectiveness ratio is at least \$4.10.

**Measure #5:** Cost effectiveness ratio.

#### Cost Effectiveness Ratio

Year	Ratio
FFY 2003	\$4.24
FFY 2004	\$4.42
FFY 2005	\$4.52
FFY 2006	\$4.24
FFY 2007	\$4.41

**Analysis of results and challenges:** Two components, expenses and collections, figure into this target. Overall, showing the highest possible amount of collections for the least amount spent is highly sought. The increase in our cost effectiveness for FFY07 is a direct result of increased collections for that period. However, in order to continue to maintain a high level of cost effectiveness the division must be able to increase collections by approximately four and one-half times more than the increase in expenses.

Additionally, CSSD anticipates that FFY08 and FFY09 could see a decline in our cost effectiveness. As the cost of doing business continues to increase, the amount of these increases in expenditures significantly outpaces our ability to increase collections, resulting in lower cost effectiveness.

**Target #6:** Reduce cases with no collections for one year or more to 12% or less of cases eligible for collections.

**Measure #6:** Percentage of cases with no collections for one year or more versus total cases eligible for collection.

#### Cases With No Collections for 1 Year or More

Year	Percentage of Cases	Change from Prior Year
FY 2003	NA	NA
FY 2004	23%	NA
FY 2005	12.92%	-10.08%
FY 2006	12.64%	-0.28%
FY 2007	12.23%	-0.41%

**Analysis of results and challenges:** A recent analysis of outstanding collections showed a relationship between those cases with the highest outstanding balances and those with no recent collections. A portion of the cases with no collections for one year or more are designated as "hard to collect". To address the problem of hard to collect cases, in October 2005, CSSD assembled a specialized team of child support specialists. It is anticipated that in FY2008 the percentage of cases with no collections will begin to decrease as more of the "hard to collect" cases are handled by this team. In FY2007 we saw a 0.41% overall decrease in the number of cases with no collections for one year or more. As of June 30, 2007, CSSD had reviewed a total of 1,078 cases and collections have been made on 573 of those cases totaling \$1,182,029.

**A2: Strategy - Improve the efficiency of distributing child support.**

**Target #1:** Increase recipients on automated distribution to 60%.

**Measure #1:** Percentage of recipients receiving automated distribution.

**Recipients Receiving Automated Distribution**

Year	% of Recipients	Change from Prior Year
FY 2004	48.7%	NA
FY 2005	52.09%	3.39%
FY 2006	55.52%	3.43%
FY 2007	61.10%	5.58%

**Analysis of results and challenges:** In addition to improving the timeliness of distribution of the funds to recipients and the ease with which they can access their money, automated distribution greatly reduces the costs associated with disbursing money. The division saw great success in increasing the number of clients utilizing an electronic payment method to receive their child support in FY2007. This was accomplished by sending an informational flyer to every client that receives a paper check to encourage them to sign up for one of the two electronic payment options that the division offers. We will continue this outreach in FY2008 as this was a major step in achieving this target.

**Target #2:** Ensure that money on hold, less those categories that are out of the division's control, is less than 0.4% (four-tenths of a percent).

**Measure #2:** Percentage of money on hold, less those categories that the division cannot or should not affect.

**Percentage of Money on Hold**

Year	Percentage
FY 2003	1.089%
FY 2004	0.9%
FY 2005	0.548%
FY 2006	0.405%
FY 2007	0.254%

**Analysis of results and challenges:** The decrease of undistributed collections continues to be a national priority for the federal Office of Child Support. The division will continue to closely monitor money on hold categories and distribute all monies received as quickly as possible.

**A3: Strategy - Improve customer service.**

**Target #1:** Wait times for telephone calls are reduced to an average of 3 minutes.

**Measure #1:** Average telephone call wait times.

**Average Minutes of Telephone Call Wait Time**

Year	Average Minutes
FY 2003	2.13
FY 2004	2.6
FY 2005	3.0
FY 2006	3.6
FY 2007	2.6

**Analysis of results and challenges:** FY2007 saw a decrease in wait times for customers on average of approximately 1.0 minute from FY2006. The division attributes this decrease in wait times to the temporary reallocation of staff's work assignments from other areas of the division to assist with the customer service phone bank. The division will continue to work on reducing wait times as much as possible.

## Component: Mental Health Trust Operations

### Contribution to Department's Mission

The mission of the Alaska Mental Health Trust Authority is to administer the Alaska Mental Health Trust as a perpetual trust and to ensure a comprehensive and integrated mental health program to improve the lives of beneficiaries.

### Core Services

- Manage Trust cash and non-cash assets.
- Provide leadership in advocacy and planning around beneficiary related issues.
- Ensure funding of a comprehensive integrated mental health program.
- Spend Trust income to improve the lives and circumstances of Trust beneficiaries.

End Result	Strategies to Achieve End Result
<p><b>A: Increase quality of life for Trust beneficiaries.</b></p> <p><u>Target #1:</u> At least 10% of "In-Step Plan" indicators will show improvement.</p> <p><u>Measure #1:</u> Percentage of "In-Step Plan" indicators showing improvement.</p>	<p><b>A1: Maximize revenues from Trust cash assets.</b></p> <p><u>Target #1:</u> \$1 million in interest income.</p> <p><u>Measure #1:</u> Percentage of \$1 million in interest income generated.</p> <p><u>Target #2:</u> Maintain Reserve account at 400%.</p> <p><u>Measure #2:</u> Percentage of reserve account maintained.</p> <p><u>Target #3:</u> 5% total real return on Trust Fund at Alaska Permanent Fund Corporation (APFC).</p> <p><u>Measure #3:</u> Total real return as set by APFC.</p> <p><u>Target #4:</u> 1.5% return on intermediate fund invested at Treasury.</p> <p><u>Measure #4:</u> Actual rate of return on intermediate fund invested at Treasury.</p> <p><b>A2: Maximize revenues from Trust non-cash assets.</b></p> <p><u>Target #1:</u> Trust Land Office will meet annual spendable income goal.</p> <p><u>Measure #1:</u> Amount of Trust Land Office spendable income earned.</p> <p><u>Target #2:</u> Trust Land Office will meet annual principal revenue goal.</p> <p><u>Measure #2:</u> Amount of Trust Land Office principal revenue earned.</p> <p><b>A3: Spend Trust income to improve the lives and circumstances of Trust beneficiaries.</b></p> <p><u>Target #1:</u> Budget 3.5% of Trust Funds annually for programmatic spending as set by Asset Management Policy approved by Board of Trustees.</p>



	<p><u>Measure #1:</u> Percent of Trust Fund spent annually for MHTAAR projects approved by Trustees.</p> <p><u>Target #2:</u> At least 50% of MHTAAR funded projects and 80% of Small Projects funded with Trust Income will report beneficiary-related performance outcome measures.</p> <p><u>Measure #2:</u> Percent of Trust Income funded projects that report beneficiary-related performance outcome measures.</p> <p><b>A4: Leverage Trust funds with funds from private corporations, foundations and other sources for beneficiary related projects.</b></p> <p><u>Target #1:</u> Leverage \$10.00 for every \$1.00 MHTAAR in projects designated as partnering projects.</p> <p><u>Measure #1:</u> Dollars leveraged for every dollar of MHTAAR.</p> <p><u>Target #2:</u> Generate 12 partners for MHTAAR partnering projects outside of state government.</p> <p><u>Measure #2:</u> Percent of target met.</p> <p><b>A5: Provide leadership in advocacy and planning around improving lives of beneficiaries.</b></p> <p><u>Target #1:</u> Work to develop/change at least two policies/programs to improve/protect the lives of beneficiaries.</p> <p><u>Measure #1:</u> Number of policies developed/changed that improve/protect the lives of beneficiaries.</p>
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### Major Activities to Advance Strategies

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|---|--|
| <ul style="list-style-type: none"> <li>• Produce monthly financial reports for Trustees.</li> <li>• Calculate and complete annual payout.</li> <li>• Coordinate cash management with Alaska Permanent Fund Corporation and Department of Revenue's Treasury Division.</li> <li>• Prepare and distribute annual report.</li> <li>• Support the Board of Trustees and their committees.</li> <li>• Support and provide oversight for five focus area implementation workgroups in their strategic planning.</li> <li>• Provide efficient and accountable Trust Office Administration.</li> <li>• Work with Trust advisory bodies, consumers and provider groups to access needs of beneficiaries.</li> <li>• Conduct annual budget recommendations planning process (BRPP) with advisory groups and statutory advisors.</li> <li>• Develop budget recommendations from the BRPP for the Governor and Legislative Budget &amp; Audit Committee by Sept. 15 for the Mental Health budget bill.</li> </ul> | <ul style="list-style-type: none"> <li>• Implement MHTAAR and Authority grant audit process.</li> <li>• Work with governor and legislature to finalize funding in the Mental Health budget bill.</li> <li>• Assure implementation of funding as approved by Trustees through sound grants administration.</li> <li>• Develop partnerships and other independently administered projects to leverage funds.</li> <li>• Develop funding agreements and performance measures for Trust funding projects; monitor and report results and impacts to Trustees.</li> <li>• Work with Trust advisory bodies, departments, consumers and provider groups to evaluate effectiveness of MHTAAR funded projects.</li> <li>• Partner with DHSS to develop Comprehensive Integrated Mental Health Plan.</li> <li>• Provide leadership among partners through sponsoring collaborative meetings between staff and board members of advisory groups and statutory advisors.</li> <li>• Provide technical assistance for and participate on</li> </ul> |
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### Major Activities to Advance Strategies

- the Communications and Advocacy Committee
- Work with partners to fund and build a new detox center in Fairbanks.

### FY2009 Resources Allocated to Achieve Results

**FY2009 Component Budget: \$2,497,000**

**Personnel:**

Full time	14
Part time	0
<b>Total</b>	<b>14</b>

### Performance Measure Detail

#### A: Result - Increase quality of life for Trust beneficiaries.

**Target #1:** At least 10% of "In-Step Plan" indicators will show improvement.

**Measure #1:** Percentage of "In-Step Plan" indicators showing improvement.

**Analysis of results and challenges:** State statute requires an integrated comprehensive mental health plan. The "Moving Forward" is done in partnership with The Trust by Department of Health and Social Services (DHSS) and is updated annually by a staff person who is funded partially by The Trust. The current plan and up-to-date data can be accessed at: <https://hss.state.ak.us/commissioner/healthplanning/movingforward/>

FY2007 Results: 11.7% of the indicators showed improvement over this time period. Improvements were seen in the following indicators:

1) Alaska Alcohol Consumption

The rate of alcohol consumption per capita decreased from 2.75 gallons to 2.5 gallons. However, this modest success is tempered by the next measure which is on heavy and binge drinking. The latter rate rose slightly from 2005-2006.

2) Consumers Satisfied with Public Mental Health and Substance Abuse Services - Adults

Satisfaction ranges by category (general satisfaction, access to services, outcomes, quality & appropriateness, and participation in treatment planning) from 70-82%. Improvements in satisfaction (approximately 2.5% on average) were made in all categories except participation in treatment planning which showed a very slight decrease.

3) Number of Adult Protective Services Investigations.

Showed a 4.7% decrease in the number of investigations from 05-06. However, there is a caveat. In 2006 there were 1666 unduplicated reports in which an investigation was possibly warranted. Of those only 86% were actually investigated.

4) Number of Trust Beneficiaries Receiving Support via DVR vs. Number Employed.

Over the last six years, the number of beneficiaries receiving support has grown by 11% and the number employed by approximately 8.5%. This trend continued from 05-06 with a very slight increase <1% in the number employed (after a rather large jump in 04-05) and an increase in supported beneficiaries of approximately 1.2%.

**A1: Strategy - Maximize revenues from Trust cash assets.**

**Target #1:** \$1 million in interest income.

**Measure #1:** Percentage of \$1 million in interest income generated.

**Percentage of \$1 Million Interest Income Earned**

Year	Interest Earned	% of \$1 Million
FY 2004	\$1,068,566	106%
FY 2005	\$923,747	92.4%
FY 2006	\$937,996	94%
FY 2007	\$1,620,100	162%

**Analysis of results and challenges:** The interest earned is from the Trust account that holds funds for current year expenditures by state agencies. Investment funds are held at the Department of Revenue, Treasury Division or at the Alaska Permanent Fund Corporation.

**Target #2:** Maintain Reserve account at 400%.

**Measure #2:** Percentage of reserve account maintained.

**Budget Reserve Account Maintained**

Year	% Reserve Maintained	% of Goal
FY 2004	646%	162%
FY 2005	568%	142%
FY 2006	355%	89%
FY 2007	474%	119%

*Percentage is calculated on the annual payout as of June 30 each year.*

**Analysis of results and challenges:** The Trust used a consultant to recommend methods to assure consistent funding levels for the Integrated Comprehensive Mental Health Program and a 400% reserve account was recommended and adopted by the Board of Trustees. This reserve account has proven essential over the last three years during the downturn in the investment market to keeping funding available when other philanthropy organizations and funding corporations from the State of Alaska have reduced funding.

**Target #3:** 5% total real return on Trust Fund at Alaska Permanent Fund Corporation (APFC).

**Measure #3:** Total real return as set by APFC.

**Total Real Return on Trust Fund by APFC**

Year	Rate of Return
FY 2004	11.9%
FY 2005	7.49%
FY 2006	7.43%
FY 2007	13.45%

**Analysis of results and challenges:** APFC's current goal is to earn about 5% over the rate of inflation in the long run.

**Target #4:** 1.5% return on intermediate fund invested at Treasury.

**Measure #4:** Actual rate of return on intermediate fund invested at Treasury.

**Actual Rate of Return on Intermediate Fund**

Year	Rate of Return
FY 2004	1.829%
FY 2005	3.05%
FY 2006	1.6%
FY 2007	15.7%

**Analysis of results and challenges:** The Trustees followed advice from Callan and Associates to invest in new funds at the Division of Treasury to increase the rate of return on the funds held at Treasury. Changes were made for FY2007 investments that increased the rate of return from 1.6% to the 15.7%.

The real return rate is set annually by the APFC. The Trust Principal account is mandated in statute to be managed by the APFC.

## **A2: Strategy - Maximize revenues from Trust non-cash assets.**

**Target #1:** Trust Land Office will meet annual spendable income goal.

**Measure #1:** Amount of Trust Land Office spendable income earned.

### **Trust Land Office Spendable Income Earned**

Year	Income Goal	Income Earned
FY 2004	\$2.4 million	\$2.6 million
FY 2005	\$2.6 million	\$3.0 million
FY 2006	\$2.6 million	\$3.6 million
FY 2007	\$2.6 million	\$3.6 million

**Analysis of results and challenges:** The Spendable Income goal is established each fiscal year and is based on the approved Business Plan. Actual revenues received are predicated on the timing for implementing multi-year transactions. Revenue might be received in a different fiscal year than anticipated based on economic factors and business plans of our partners.

**Target #2:** Trust Land Office will meet annual principal revenue goal.

**Measure #2:** Amount of Trust Land Office principal revenue earned.

### **Trust Land Office Principal Earned**

Year	Principal Goal	Principal Earned
FY 2004	\$4.4 million	\$8.5 million
FY 2005	\$5.3 million	\$14.6 million
FY 2006	\$5.7 million	\$3.6 million
FY 2007	\$5.0 million	\$7.743 million

**Analysis of results and challenges:** The Principal Revenue goal is established each fiscal year and is based on the approved Business Plan. Revenue might be received in a different fiscal year than anticipated based on economic factors and business plans of our partners. The shortfall in revenue for FY06 can be attributed to several multi-year transactions that were completed ahead of schedule in FY05 and were accounted for in that year.

## **A3: Strategy - Spend Trust income to improve the lives and circumstances of Trust beneficiaries.**

**Target #1:** Budget 3.5% of Trust Funds annually for programmatic spending as set by Asset Management Policy approved by Board of Trustees.

**Measure #1:** Percent of Trust Fund spent annually for MHTAAR projects approved by Trustees.

### **Trust Income Allocated to MHTAAR Projects and Percentage of Trust Fund Payout**

Year	Total Payout	Land Income	Interest Income	Other*	YTD	% of Payout
FY 2004	\$11,039,434	\$2,532,089	\$1,219,856	\$3,944,649	\$18,736,028	3.5%
FY 2005	\$12,398,993	\$2,623,101	\$1,068,566	\$2,404,691	\$18,495,351	3.5%
FY 2006	\$14,607,471	\$3,009,923	\$923,747	\$3,941,634	\$22,482,775	3.75%
FY 2007	\$16,627,397	\$3,543,092	\$967,031	\$1,895,151	\$23,032,671	4%

\*Other funds:  
FY2007 - Prior year lapsed funds

*FY2006 - Prior year lapsed funds*

*FY2005 - Prior year lapsed funds*

*FY2004 - \$500,000 unspent Trust Land Office CIP funds returned and \$3,444,649.22 prior year lapsed funds*

**Analysis of results and challenges:** The Trustees set a payout rate, interest income and land income rates that will maximize available income while ensuring a perpetual Trust and keep the annual revenues for funding the integrated comprehensive mental health program secure during sustained market downturns. The annual payout was raised for FY2007 from 3.75% to 4.0%.

**Target #2:** At least 50% of MHTAAR funded projects and 80% of Small Projects funded with Trust Income will report beneficiary-related performance outcome measures.

**Measure #2:** Percent of Trust Income funded projects that report beneficiary-related performance outcome measures.

#### Trust Funded Projects Reporting Beneficiary-related Performance Outcomes

Year	MHTAAR Projects	Small Projects
FY 2004	85%	100%
FY 2005	80%	100%
FY 2006	85%	100%
FY 2007	100%	100%

**Analysis of results and challenges:** FY2007 Result: 100% of Small Projects have beneficiary-related performance measures written into their funding agreements. All of the MHTAAR/Authority grants have performance outcome measures that relate to directly serving beneficiaries written into their grants.

The Trust is dedicated to assuring that its resources are expended to improve the lives of Trust beneficiaries. Each project approved and funded with Trust Income is required to set performance measures and to report at the end of the first 6 months and then again annually at the end of each funded year, with a final report done a year after the termination of any project. Each project is measured against the impact it will have on improving the lives of beneficiaries or creating the system capacity to improve beneficiary lives.

#### A4: Strategy - Leverage Trust funds with funds from private corporations, foundations and other sources for beneficiary related projects.

**Target #1:** Leverage \$10.00 for every \$1.00 MHTAAR in projects designated as partnering projects.

**Measure #1:** Dollars leveraged for every dollar of MHTAAR.

#### Dollars Leveraged for Every Dollar of MHTAAR

Year	Partnerships Funded	Non-state Matching Funds	Amount per Trust \$
FY 2004	\$682,203	\$4,450,150	\$6.52
FY 2005	\$1,117,530	\$19,937,374	\$17.84
FY 2006	\$630,948	\$5,540,725	\$8.80
FY 2007	\$750,000	\$12,530,600	\$16.70

**Analysis of results and challenges:** The Trust has been focusing on increasing resources that help to improve the lives of Trust beneficiaries. A proven way the philanthropic community across the nation does this is through leveraging funds with other resources to accomplish mutual goals. The Trust has been increasing leveraging activity each year and continues to place an emphasis on partnering with local, state and national partners.

**Target #2:** Generate 12 partners for MHTAAR partnering projects outside of state government.

**Measure #2:** Percent of target met.

#### Non-state Partnerships Funded

Year	# Partners	% of Target
FY 2004	29	225%
FY 2005	34	283%
FY 2006	10	83%
FY 2007	16	133%

*Target: 12 partners outside of state government*

**Analysis of results and challenges:** The Trust generated 16 non-state primary partners for partnership grants during FY2007. In addition, there are many more secondary partners for each primary partner, all working together to fund projects.

The Trust has been focusing on increasing resources that help to improve the lives of Trust beneficiaries. A proven way the philanthropic community across the nation does this is through leveraging funds with other resources to accomplish mutual goals. The Trust has been increasing leveraging activity each year and continues to place an emphasis on partnering with local, state and national partners.

### A5: Strategy - Provide leadership in advocacy and planning around improving lives of beneficiaries.

**Target #1:** Work to develop/change at least two policies/programs to improve/protect the lives of beneficiaries.

**Measure #1:** Number of policies developed/changed that improve/protect the lives of beneficiaries.

**Analysis of results and challenges:** FY2007 Result:

1. Lead an effort to get a Housing Trust established through Administrative Order.
2. Organized a workforce development focus area steering committee to develop strategies to address workforce needs around beneficiary services. A training needs survey was completed in FY2007 and partnered with the University of Alaska in doing a Vacancy Study around health careers.
3. Sponsored Coordinated Advocacy Summit of 6 advisory groups for The Trust where a joint advocacy agenda was developed.

The Trust is tasked in statute with providing leadership to improve systems that serve Trust beneficiaries. The challenge for the next few years will be to advocate for healthy public policy around beneficiaries issues during times of government reorganizations and downsizing.

The Trust continued its commitment investing heavily in four areas: Housing, Bring the Kids Home, Disability Justice, and Trust Beneficiary Group Initiatives. The plan for each area can be found at [www.mhtrust.org](http://www.mhtrust.org) (see link below).

The Trust will continue to facilitate the implementation of the strategic plans through collaborative workgroups over the next few years. The Trust has also decided to fund a new focus area on workforce development and workgroups finalized strategies for the implementation in FY2008.

The Trust is working with all of its partners to improve evaluation and data collection in order to better meet its statutory mandate to report on the status of the health of Trust beneficiaries and the performance of the comprehensive mental health program. This will continue to be a focus in the future to assure sound information on which to make funding decisions and for making funding recommendations to the state.

## Component: Long Term Care Ombudsman Office

### Contribution to Department's Mission

The mission of Alaska's Office of the Long Term Care Ombudsman is to promote and protect the health, safety, welfare and rights of Alaskan seniors, age 60 and over.

### Core Services

- Complaint investigations
- Advocacy for senior citizens of state
- Review, develop and comment on public safety concerning seniors
- Education and outreach on issues affecting seniors, especially long term care

End Result	Strategies to Achieve End Result
<p><b>A: Seniors who reside in long term care (LTC) settings will be protected from poor quality of care, environments and/or practices which jeopardize their safety, and from violations to their rights.</b></p> <p><u>Target #1:</u> Complaints regarding resident quality of care from or on behalf of seniors residing in LTC are reduced by 10% compared to the previous fiscal year.</p> <p><u>Measure #1:</u> Number of complaints received regarding LTC residents' quality of care.</p> <p><u>Target #2:</u> Complaints regarding violations of residents' rights from or on behalf of seniors residing in LTC are reduced by 10% compared to the previous fiscal year.</p> <p><u>Measure #2:</u> Number of complaints received regarding violations of LTC residents' rights.</p> <p><u>Target #3:</u> Complaints regarding quality of life issues from or on behalf of seniors residing in LTC are reduced by 10% compared to the previous fiscal year.</p> <p><u>Measure #3:</u> Number of complaints received regarding LTC quality of life issues.</p>	<p><b>A1: Identify, investigate and resolve complaints made by or on behalf of seniors residing in LTC settings.</b></p> <p><u>Target #1:</u> 100% of OLTCO staff and volunteers will be trained to identify situations regarding quality of care, and how to elicit information from seniors, their loved ones, and LTC staff in order to identify and resolve complaints or concerns.</p> <p><u>Measure #1:</u> Percentage of OLTCO staff and volunteers who receive initial and on-going training.</p> <p><u>Target #2:</u> 100% of all complaints regarding residents' rights received by the OLTCO will be investigated and education provided to care providers on resident rights.</p> <p><u>Measure #2:</u> Percentage of complaints investigated regarding LTC residents' rights.</p> <p><u>Target #3:</u> 100% of all complaints regarding quality of life issues received by the OLTCO will be investigated and education provided to care givers on quality of life issues.</p> <p><u>Measure #3:</u> Percentage of complaints investigated regarding quality of life issues.</p> <p><b>A2: Develop and support the creation and maintenance of Family and Resident Councils.</b></p> <p><u>Target #1:</u> 100% of Assisted Living and Nursing Homes with 50 or more residents will have a Resident and/or Family Council.</p> <p><u>Measure #1:</u> Percentage of Assisted Living and Nursing Homes with 50 or more residents that have a Resident and/or Family Council.</p>
End Result	Strategies to Achieve End Result
<b>B: The rights, interests, and well-being of Alaskan</b>	<b>B1: Ensure the needs, interests, and opinions of</b>

<p><b>seniors, age 60 and older, will be promoted and protected.</b></p> <p><u>Target #1:</u> Complaints from or on behalf of Alaskan seniors, age 60 or over are reduced by 10% compared to the previous fiscal year.</p> <p><u>Measure #1:</u> Number of complaints received in all categories.</p>	<p><b>Alaskan seniors are conveyed to policy makers.</b></p> <p><u>Target #1:</u> 100% of proposed legislation affecting Alaskan seniors will be analyzed to evaluate its potential negative or positive impact to seniors.</p> <p><u>Measure #1:</u> Percentage of proposed pieces of legislation that are analyzed for potential impacts on Alaskan seniors.</p> <p><u>Target #2:</u> A majority of legislators or their staff will be contacted by the OLTCO in order to develop a working relationship, and to convey the needs, interests, and opinions of Alaskan seniors.</p> <p><u>Measure #2:</u> Percentage of legislators or their staff who are contacted by the OLTCO.</p> <p><b>B2: The OLTCO will actively advocate to protect the rights of seniors by educating care providers, nursing homes and assisted living facilities on issues that could potentially deprive seniors of their rights, quality of life and quality of care.</b></p> <p><u>Target #1:</u> Attendees of OLTCO training sessions, conferences and workshops will represent at least 75% of licensed nursing and assisted living homes statewide.</p> <p><u>Measure #1:</u> Percentage of licensed nursing and assisted living homes that send staff to OLTCO training sessions, conferences or workshops.</p>
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### Major Activities to Advance Strategies

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| <ul style="list-style-type: none"> <li>• Each complaint received by the Office of Long Term Care Ombudsman (OLTCO) will be treated as an intake or referred to the appropriate agency.</li> <li>• Investigate each complaint by on-site investigation, telephone and/or record review.</li> <li>• Input each complaint being investigated or monitored by OLTCO staff into the Ombudsmanager database.</li> <li>• Monitor other state, social and health care provider agencies' actions concerning senior care issues</li> <li>• Provide each OLTCO staff and volunteers with initial and on-going training concerning the OLTCO program and its activities.</li> <li>• Provide a training certification program.</li> </ul> | <ul style="list-style-type: none"> <li>• Identify long term care homes with 50 or more residents and facilitate formation of resident/family councils as needed.</li> <li>• Review and analyze each piece of proposed legislation to determine if there is any potential impact to Alaskan seniors.</li> <li>• Identify needed legislation or changes to existing legislation around seniors and work with appropriate partners to create or comment on as needed.</li> <li>• Contact each member of the legislature or their staff on legislative issues, or to educate them on the OLTCO's role in advocating for seniors.</li> <li>• Provide education and outreach to seniors and senior care providers on senior rights and long term care issues.</li> <li>• Participate in groups, boards, and committees to ensure the interests, needs, and opinions of older Alaskans are represented.</li> </ul> |
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### FY2009 Resources Allocated to Achieve Results

**FY2009 Component Budget: \$498,000**

**Personnel:**

Full time 4

Part time 0

**Total** 4

### Performance Measure Detail

**A: Result - Seniors who reside in long term care (LTC) settings will be protected from poor quality of care, environments and/or practices which jeopardize their safety, and from violations to their rights.**

**Target #1:** Complaints regarding resident quality of care from or on behalf of seniors residing in LTC are reduced by 10% compared to the previous fiscal year.

**Measure #1:** Number of complaints received regarding LTC residents' quality of care.

#### Quality of Care Complaints

Year	# of Complaints	% Change from Prior Year
FY 2004	84	n/a
FY 2005	55	-34.52%
FY 2006	53	-3.64%
FY 2007	58	9.4%

**Analysis of results and challenges:** Quality of care complaints involve negligence, lack of attention and poor quality in the care of the resident. Examples of these complaints include failure to respond to call lights when residents ring for assistance, incomplete personal care plans, improper medication management, poor personal hygiene, pressure (bed) sores, lack of pain management, improper toileting, etc. Typically, most of the complaints received involved improper medication management (failing to document doses given, duplication of medication) and personal hygiene not being addressed by staff.

The number of complaints received regarding poor quality of care of elders residing in long term care homes (nursing homes and assisted living homes) dropped from 84 in FY2004 to 53 in FY2006 but rose to 58 in FY07. It is believed that the OLTCO is doing an increasingly better job of educating long term care homes to improve their quality of care of elders and these numbers reflect that. However, the OLTCO over the past two and a half years has made an aggressive effort to conduct outreach visits to elders around the state, especially in rural Alaska. Consequently, as the OLTCO makes elders more aware of the OLTCO and its ability to resolve their complaints once received, the office anticipates the number of complaints to remain about this level.

**Target #2:** Complaints regarding violations of residents' rights from or on behalf of seniors residing in LTC are reduced by 10% compared to the previous fiscal year.

**Measure #2:** Number of complaints received regarding violations of LTC residents' rights.

#### Violations of Residents' Rights Complaints

Year	# of Complaints	% Change from Prior Year
FY 2004	64	n/a
FY 2005	67	4.69%
FY 2006	53	-20.90%
FY 2007	73	37.7%

**Analysis of results and challenges:** Complaints regarding the violation of residents' rights include physical, verbal, or sexual abuse; financial exploitation; lack of information to the resident; not treating the resident with dignity and respect; improper admission/discharge or eviction; loss of personal property; and misuse of personal funds.

In FY 2006 the number of violation of rights complaints dropped from 67 to 53. It is believed this was a result of the OLTCO doing a better job of informally educating long term care homes on the increased rights an individual has when they become a resident of a long term care home (nursing home or assisted living home). However, in FY07 the number of complaints for this category jumped to 73. It is believed this increase may have been attributable to formal one-day courses called "Prevention of Abuse and Neglect of Vulnerable Adults" which focused also on proper required reporting of potential abuse and violation of residents rights. This training was provided by the OLTCO at four nursing homes in Seward, Fairbanks, Juneau and Homer during the period November 2006 through Jan 2007. Fifty-eight (58) caregivers at these nursing homes and in long term care homes in these locales received this training. In addition, other entities, public and private, were also teaching this same course in various areas of the state as part of a grant through the University of Alaska-Anchorage Geriatric Education Center. Thus, we have seen a higher awareness of what abuse of residents' rights are among caregivers and have seen a resultant increase in the reporting of complaints of possible violation of residents' rights.

**Target #3:** Complaints regarding quality of life issues from or on behalf of seniors residing in LTC are reduced by 10% compared to the previous fiscal year.

**Measure #3:** Number of complaints received regarding LTC quality of life issues.

#### Quality of Life Complaints

Year	# of Complaints	% Change from Prior Year
FY 2004	42	n/a
FY 2005	42	0.00%
FY 2006	43	2.38%
FY 2007	33	-23.2%

**Analysis of results and challenges:** Quality of life complaints involve social services for the residents and social interaction of residents. Examples are lack of activities appropriate for each resident, resident conflict, lack of transportation, lack of social services or failure to include social interaction. This category also includes dietary issues such as quantity, quality, choice, temperature, etc. of the meals served the residents, snack availability, therapeutic dietary issues and the environment in which the resident lives. By far, dietary issues account for most of the complaints in this category and are usually the top complaint of all categories of complaints.

The number of complaints regarding the quality of life of residents in long term care homes (nursing homes and assisted living homes) has remained stable over the past three years. However it is believed the OLTCO has made some progress in this complaint area as evidenced by the FY2007 figures. As the OLTCO has increased its outreach to elders, elders and their loved ones are more prone to notify the OLTCO of concerns involving quality of life, thus explaining the slight increase in complaints in FY2006. However, the OLTCO has,

in the past year, given special emphasis and education to the long term care homes on this category of complaints. Consequently, we have seen a reduction in this category of complaints.

### **A1: Strategy - Identify, investigate and resolve complaints made by or on behalf of seniors residing in LTC settings.**

**Target #1:** 100% of OLTCO staff and volunteers will be trained to identify situations regarding quality of care, and how to elicit information from seniors, their loved ones, and LTC staff in order to identify and resolve complaints or concerns.

**Measure #1:** Percentage of OLTCO staff and volunteers who receive initial and on-going training.

#### **Quality of Care Training**

<b>Year</b>	<b>Percent Trained</b>
FY 2004	100%
FY 2005	100%
FY 2006	100%
FY 2007	100%

**Analysis of results and challenges:** 100% of staff and volunteers are trained. Informal quality of care training was provided to care givers on a case by case basis.

**Target #2:** 100% of all complaints regarding residents' rights received by the OLTCO will be investigated and education provided to care providers on resident rights.

**Measure #2:** Percentage of complaints investigated regarding LTC residents' rights.

#### **Violations of Rights Complaints**

<b>Year</b>	<b>% Investigated</b>
FY 2004	100%
FY 2005	100%
FY 2006	100%
FY 2007	100%

**Analysis of results and challenges:** 100% of all complaint cases opened by the OLTCO were investigated. Informal training was provided to care givers on a case by case basis regarding LTC residents' rights.

**Target #3:** 100% of all complaints regarding quality of life issues received by the OLTCO will be investigated and education provided to care givers on quality of life issues.

**Measure #3:** Percentage of complaints investigated regarding quality of life issues.

#### **Quality of Life Complaints**

<b>Year</b>	<b>Percent Investigated</b>
FY 2004	100%
FY 2005	100%
FY 2006	100%
FY 2007	100%

**Analysis of results and challenges:** 100% of all complaint cases opened by the OLTCO were investigated. Informal training was provided to care givers on a case by case basis regarding quality of life issues.

### **A2: Strategy - Develop and support the creation and maintenance of Family and Resident Councils.**

**Target #1:** 100% of Assisted Living and Nursing Homes with 50 or more residents will have a Resident and/or Family Council.

**Measure #1:** Percentage of Assisted Living and Nursing Homes with 50 or more residents that have a

Resident and/or Family Council.

#### Homes with Resident and/or Family Councils

Year	% of Homes
FY 2006	100%
FY 2007	100%

*This was a new measure in FY2006*

**Analysis of results and challenges:** 100% of Assisted Living Homes with 50 or more residents have either resident and/or family councils.

### B: Result - The rights, interests, and well-being of Alaskan seniors, age 60 and older, will be promoted and protected.

**Target #1:** Complaints from or on behalf of Alaskan seniors, age 60 or over are reduced by 10% compared to the previous fiscal year.

**Measure #1:** Number of complaints received in all categories.

#### Number of Complaints - All Categories

Year	Quality of Care	Quality of Life	Residents' Rights	Other	Total Complaints	Change from Prior Year
FY 2004	84	42	64	37	227	n/a
FY 2005	55	42	67	59	223	-1.76%
FY 2006	53	43	53	53	202	-9.42%
FY 2007	58	33	73	59	223	10.4%

**Analysis of results and challenges:** Of the total complaints received, the three largest categories of complaints pertain to the quality of care, quality of life and violation of residents' rights. Most of the quality of care complaints centered on improper medication management, personal hygiene, and improper handling or falls of residents. The quality of life complaints primarily involved dietary issues and physical environment factors such as disrepair, offensive odors, and cleanliness. Complaints regarding the violation of residents' rights included physical, verbal, or sexual abuse; financial exploitation; lack of information to the resident; not treating the resident with dignity and respect; improper admission/discharge or eviction; loss of personal property; and misuse of personal funds.

The increase of total complaints between FY2006 and FY2007 overall is attributed largely to a major push to educate caregivers around the state on the prevention of abuse, further awareness that abuse does not need to be physical only, but can also include verbal and mental abuse, neglect and financial exploitation, and proper reporting of potential abuse by caregivers. Consequently, due to this increased awareness more complaints are being received. Additionally, the growth in senior assisted living homes in the state in recent years has continued to a high of 239 as of June 2007 which has increased the number of elder residents susceptible to improper care.

### B1: Strategy - Ensure the needs, interests, and opinions of Alaskan seniors are conveyed to policy makers.

**Target #1:** 100% of proposed legislation affecting Alaskan seniors will be analyzed to evaluate its potential negative or positive impact to seniors.

**Measure #1:** Percentage of proposed pieces of legislation that are analyzed for potential impacts on Alaskan seniors.

#### Analysis of Legislation Affecting Alaskan Seniors

Year	% of Legislation
FY 2006	100%
FY 2007	100%

**Analysis of results and challenges:** All House and Senate bills affecting seniors were reviewed. The OLTCO followed up with appropriate legislators regarding the Senior Benefits bill.

**Target #2:** A majority of legislators or their staff will be contacted by the OLTCO in order to develop a working relationship, and to convey the needs, interests, and opinions of Alaskan seniors.

**Measure #2:** Percentage of legislators or their staff who are contacted by the OLTCO.

**Legislators and/or Staff Contacted by OLTCO**

Year	% Contacted
FY 2006	12%
FY 2007	100%

**Analysis of results and challenges:** During FY2007, the OLTCO contacted each legislator requesting their support for the passage of the Seniors Benefits bill.

**B2: Strategy - The OLTCO will actively advocate to protect the rights of seniors by educating care providers, nursing homes and assisted living facilities on issues that could potentially deprive seniors of their rights, quality of life and quality of care.**

**Target #1:** Attendees of OLTCO training sessions, conferences and workshops will represent at least 75% of licensed nursing and assisted living homes statewide.

**Measure #1:** Percentage of licensed nursing and assisted living homes that send staff to OLTCO training sessions, conferences or workshops.

**Analysis of results and challenges:** During FY2007, five training sessions for new Certified Nursing Assistants (CNA) were conducted at CNA classes at OPAG. It is estimated that 60 students received CNA training from the OLTCO. In addition, the OLTCO provided "Prevention of Elder Abuse" training in Juneau, Fairbanks, Seward and Homer to train care providers to prevent and report elder abuse. The training workshop was attended by 59 care providers in these locales. The OLTCO also gave presentations at various conferences for providers addressing elder care issues such as the "Best Practices" conference which had over 80 attendees, and "Anchorage Senior Housing Fair, which had over 200 attendees.

**RDU/Component: AMBBA Operations**

*(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)*

**Contribution to Department's Mission**

The mission of the Alaska Municipal Bond Bank is to provide municipalities with financing options for capital projects.

**Core Services**

- Issue bonds to make loans to municipalities for capital projects at lower rates than the municipalities would incur elsewhere.
- Educate municipal employees and elected officials on various means of borrowing funds for capital projects.
- Help municipalities gain experience in financial markets and establish a positive credit history.
- Monitor opportunities to issue bonds to refinance existing debt.

End Result	Strategies to Achieve End Result
<p><b>A: Municipalities will lower their cost of financing.</b></p> <p><u>Target #1:</u> 100% of new financings will result in savings.</p> <p><u>Measure #1:</u> Percent of new financings that result in savings to the issuer divided by the total number of new financings.</p> <p><u>Target #2:</u> 100% of advance refinancing will result in at least 3% savings to the issuer.</p> <p><u>Measure #2:</u> Percent of advance refinancings that result in savings of at least 3% to the issuer divided by the total number of advance refinancings.</p> <p><u>Target #3:</u> 100% of current refinancing will result in at least 2% savings to the issuer.</p> <p><u>Measure #3:</u> Percent of current refinancings that result in savings of at least 2% to the issuer divided by the total number of current refinancings.</p>	<p><b>A1: Increase percentage of (statewide) municipal bond deals done by Alaska Municipal Bond Bank.</b></p> <p><u>Target #1:</u> The Bond Bank will finance 100% of the deals done statewide by municipalities with less than A2 ratings.</p> <p><u>Measure #1:</u> (1) The dollars of bonds issued by the Bond Bank (for less than A2 credits) divided by the total number of dollars issued statewide by less than A2 creditors; (2) The number of bond issues (for less than A2 credits) divided in to the number of bond issues</p>

**FY2009 Resources Allocated to Achieve Results**

**FY2009 Component Budget: \$826,000**

**Personnel:**

Full time	1
Part time	0
<b>Total</b>	<b>1</b>

## Performance Measure Detail

### A: Result - Municipalities will lower their cost of financing.

**Target #1:** 100% of new financings will result in savings.

**Measure #1:** Percent of new financings that result in savings to the issuer divided by the total number of new financings.

#### New Financings That Resulted in Savings

Year	Percent
FY 2003	100%
FY 2004	100%
FY 2005	100%
FY 2006	100%
FY 2007	100%

**Analysis of results and challenges:** In each fiscal year shown all communities that borrowed funds through the Bond Bank are projected to be paying less debt service (realized savings) than they otherwise might have using other means of financing their project.

**Target #2:** 100% of advance refinancing will result in at least 3% savings to the issuer.

**Measure #2:** Percent of advance refinancings that result in savings of at least 3% to the issuer divided by the total number of advance refinancings.

#### Advance Refinancings that Resulted in Savings of at Least 3%

Year	Percent
FY 2003	N/A
FY 2004	N/A
FY 2005	100%
FY 2006	100%
FY 2007	100%

**Analysis of results and challenges:** There were no advance refinancings in FY2003 or FY2004. In FY2005 there were two series of bonds issued that provided for advance refinancings of outstanding bonds for nine communities. In FY2006 one series of bonds provided advance refinancing savings in excess of 3% for one community. Advance refinancings are on a demand basis and dependent on market conditions.

**Target #3:** 100% of current refinancing will result in at least 2% savings to the issuer.

**Measure #3:** Percent of current refinancings that result in savings of at least 2% to the issuer divided by the total number of current refinancings.

#### Current Refinancings that Resulted in Savings

Year	Percent
FY 2003	100%
FY 2004	100%
FY 2005	100%
FY 2006	100%
FY 2007	100%

**Analysis of results and challenges:** There was one current refinancing in FY2003, two in FY2004, one in FY2005 which resulted in a savings to the municipalities in excess of the requisite 2%, and one in FY2006. The refundings are on a demand basis and contingent on market conditions.

## A1: Strategy - Increase percentage of (statewide) municipal bond deals done by Alaska Municipal Bond Bank.

**Target #1:** The Bond Bank will finance 100% of the deals done statewide by municipalities with less than A2 ratings.

**Measure #1:** (1) The dollars of bonds issued by the Bond Bank (for less than A2 credits) divided by the total number of dollars issued statewide by less than A2 creditors; (2) The number of bond issues (for less than A2 credits) divided in to the number of bond issues

### Statewide Municipal Bond Deals Financed by AMBBA

Year	Bonds Issued	# of Loans	# of Communities	% of Dollars Issued	% of < A2 Communities
FY 2004	\$113 million	13	11	79%	92%
FY 2005	\$123 million	18	14	61%	93%
FY 2006	\$77 million	14	11	56%	92%
FY 2007	\$107 million	14	11	80%	94%

**Analysis of results and challenges:** There is no central database where all debt issued statewide exists. The success of our collection of this data will depend largely on the willingness of the municipalities to respond to our requests for information.



## Component: AHFC Operations

### Contribution to Department's Mission

The mission of the Alaska Housing Finance Corporation is to provide Alaskans access to safe, quality, affordable housing.

### Core Services

Mortgage Loan Programs:

- Conventional Loans
- First-time Home Buyer Loans
- Veteran Loans
- Multi-family Housing Loans
- Rural Loans

Manage, operate, and maintain public housing and rental assistance programs;

Senior Housing Programs

Weatherization Program

State Energy Program (SEP)

Housing Strategy and Homeless Programs

State and Federal Housing Grants

Public Housing Programs

Low-income Tax Credit Program

Workshops and Training (i.e. Home Choice, grant writing, energy, etc.);

Access to Low-cost Capital.

End Result	Strategies to Achieve End Result
<b>A: Improve the degree to which statewide housing needs are met:</b>  <u>Target #1:</u> Increase the number of loans purchased by 5% <u>Measure #1:</u> Percent Change in the number of loans purchased  <u>Target #2:</u> Maintain a "High Performer" rating on HUD's Section Eight Management Assessment Program (SEMAP) <u>Measure #2:</u> SEMAP score and rating	<b>A1: Provide programs and service that are responsive to the diverse housing needs statewide</b>  <u>Target #1:</u> Increase Multi-Family units by 10% <u>Measure #1:</u> Percent Change in Multi-Family units  <b>A2: Increase and sustain homeownership</b>  <u>Target #1:</u> Increase AHFC's market share by 3% <u>Measure #1:</u> Percent change in AHFC's market share  <b>A3: Increase special-needs housing</b>  <u>Target #1:</u> Increase Senior Housing units by 10% <u>Measure #1:</u> Percent change in Senior Housing units
End Result	Strategies to Achieve End Result
<b>B: Improve the Corporation's strength and ability to increase housing programs and service:</b>  <u>Target #1:</u> Maintain the rating of "High Performer" on the Public Housing Assessment System (PHAS) score <u>Measure #1:</u> PHAS score and rating	<b>B1: Manage finances to maximize AHFC's profits</b>  <u>Target #1:</u> Maintain or increase Adjusted Net Income <u>Measure #1:</u> Change in Adjusted Net Income  <u>Target #2:</u> Maintain or increase Net Assets

Target #2: Maintain AHFC's bond rating  
Measure #2: Bond ratings

Measure #2: Change in Net Assets

### Major Activities to Advance Strategies

- The Planning department works with developers and service providers to administer the Grant and Tax Credit Programs throughout the state.
- AHFC provides Homebuyer Education classes, Public/Industry Education, HomeChoice/HomeOption and other industry workshops.
- The Rural Housing Division oversees the Weatherization Program and other energy programs throughout the state.
- The Public Housing Division administers the Housing Choice Voucher Program and works with landlords across the state.
- The Finance department prepares bond packages to finance mortgage purchases.
- The Public Housing Division oversees the management and oversight of AHFC owned low-income rental units.
- Mortgage Operations works with the mortgage industry to provide mortgage loan programs.

### FY2009 Resources Allocated to Achieve Results

**FY2009 Component Budget: \$51,228,500**

**Personnel:**

Full time	323
Part time	35
<b>Total</b>	<b>358</b>

### Performance Measure Detail

#### A: Result - Improve the degree to which statewide housing needs are met:

**Target #1:** Increase the number of loans purchased by 5%

**Measure #1:** Percent Change in the number of loans purchased

#### Loans Purchased

Year	New Loans	% Change
FY 2007	2,813	23%
FY 2006	2,288	(21)%
FY 2005	3,117	(35)%
FY 2004	4,812	(8)%
FY 2003	6,029	30%
FY 2002	4,353	(15)%
FY 2001	4,974	18%

**Analysis of results and challenges:** The loan activity has increased for the following reasons:

- Interest rates have remained low; increasing the ability for some borrowers to qualify for a loan;
- The cost of housing has flattened; keeping it more affordable for first time homebuyers, as well as others; and
- The industry is experiencing fallout from lax lending practices and unconventional loan products offered over the past few years. AHFC did not offer such products and as a result is enjoying a "flight to quality".

AHFC has loan programs, not offered by other investors, such as: those for home buyers that are low income, first time home buyers, veterans, those who desire energy efficient housing, and those that live in rural areas. Increasing the number of loans purchased improves the degree which statewide housing needs are met, which may not have happened otherwise. Additionally, increasing the loan portfolio increases AHFC's gross income by earning loan fees and additional income through a higher interest rate spread than that available with other investments. These additional earnings can be recycled in purchasing additional loans. Challenges: Loan activity is subject to such vagaries as interest rate fluctuations, the state of the economy, and competitive programs offered by national investors.

**Target #2:** Maintain a "High Performer" rating on HUD's Section Eight Management Assessment Program (SEMAP)

**Measure #2:** SEMAP score and rating

#### SEMAP Scores

Year	YTD	Target	Grade
FY 2007	100%	100%	High Performer
FY 2006	78%	100%	Standard Performer
FY 2005	100%	100%	High Performer
FY 2004	90%	100%	High Performer
FY 2003	95%	100%	High Performer
FY 2002	96%	100%	High Performer
FY 2001	96%	100%	High Performer
FY 2000	100%	100%	High Performer

**Analysis of results and challenges:** In FY07, AHFC resumed its status as "High Performer" under the SEMAP rating system. This was largely the result of an increase in the lease-up rate in excess of 95% of unit allocation or budget expenditure. Thirteen of 14 indicators applied. AHFC received the maximum score for each indicator.

AHFC uses HUD's Section Eight Management Assessment Program (SEMAP) rating as its benchmark. SEMAP indicators and point values are listed below:

- \* Waiting List.....15.....Points possible...11%
- \* Reasonable Rent.....20.....Points possible...15%
- \* Adjusted Income.....20.....Points possible...15%
- \* A Schedule.....5.....Points possible...4%
- \* HQS Quality Control...5.....Points possible...4%
- \* HQS Enforcement.....10.....Points possible...7%
- \* Expanding Housing.....5.....Points possible...4%
- \* Payment Standards.....5.....Points possible...4%
- \* Annual Re-exams.....10.....Points possible...7%
- \* Tenant Rent MTCS.....5.....Points possible...4%
- \* Pre-contract HQS.....5.....Points possible...4%
- \* Annual HQS.....N/A.....
- \* Lease-up.....20.....Points possible...15%
- \* FSS.....10.....Points possible...7%

Total Possible Points..135.....100%

90-100% = High Performer  
 60-89% = Standard  
 0-60% = Troubled

HQS = Housing Quality Standard

## A1: Strategy - Provide programs and service that are responsive to the diverse housing needs statewide

**Target #1:** Increase Multi-Family units by 10%

**Measure #1:** Percent Change in Multi-Family units

### Multi-Family Units

Year	New Units	Total Units	% Change
2007	437	13,407	3%
2006	839	12,970	7%
2005	1,067	12,131	10%
2004	1,491	11,064	16%
2003	938	9,573	11%
2002	748	8,625	9%
2001	2,897	7,887	58%
2000	1,438	4,990	40%

**Analysis of results and challenges:** The decrease in new units from FY06 is partly due to the loss of market share as a result of more advantageous Multi-Family loan terms from other secondary market investors and banks.

Diverse housing needs include individuals of various incomes that cannot afford home ownership and consequently rent. Increasing multi-family units in a tight rental market provides additional options to renters for safe, sanitary, and affordable housing. Multi-family housing is subject to such uncertainties as interest rate fluctuations, the state of the economy, demand, and competitive programs offered by national investors.

## A2: Strategy - Increase and sustain homeownership

**Target #1:** Increase AHFC's market share by 3%

**Measure #1:** Percent change in AHFC's market share

### Market Share

Year	AHFC	% Change
FY 2007	20.5%	13.89%
FY 2006	18.0%	5.88%
FY 2005	17.0%	(42.37)%
FY 2004	29.5%	(22.70)%
FY 2003	38.0%	(10.59)%
FY 2002	42.5%	(12.55)%
FY 2001	48.6%	13.02%
FY 2000	43.0%	30.30

**Analysis of results and challenges:** "Market Share" is a measure of AHFC's success in reaching the portion of the population that is eligible for the niche programs of AHFC. For example: first time-homebuyers, veterans, rural or energy efficient housing and teachers. Increasing market share helps Alaskans attain homeownership that might not otherwise be able to. Increasing market share also increases the corporation's net income.

AHFC is using the prior year's "market share" for the fiscal year as its benchmark. The market share is calculated based on the percentage of loans AHFC has out of the total number loans reported in AHFC's annual survey of Alaskan lenders.

**A3: Strategy - Increase special-needs housing****Target #1:** Increase Senior Housing units by 10%**Measure #1:** Percent change in Senior Housing units**Senior Housing Units**

Year	New Senior Units	Total Senior Units	% Change
FY 2007	48	778	7%
FY 2006	42	730	6%
FY 2005	25	688	4%
FY 2004	64	663	11%
FY 2003	144	599	32%
FY 2002	88	455	24%
FY 2001	24	367	7%

**Analysis of results and challenges:** Seniors are the fastest growing segment of the population. The number of units added each year depends largely on AHFC's annual Capital budget appropriation. The gap between the need and what is developed grows each year. The number of persons with mental and physical disabilities has also been increasing over time. Senior and special needs housing remains a high priority for the Corporation.

**B: Result - Improve the Corporation's strength and ability to increase housing programs and service:****Target #1:** Maintain the rating of "High Performer" on the Public Housing Assessment System (PHAS) score**Measure #1:** PHAS score and rating**PHAS Score**

Year	YTD	Target	Grade
FY 2007	100%	100%	High Performer
FY 2006	77%	100%	Standard Performer
FY 2005	87%	100%	Standard Performer
FY 2004	100%	100%	High Performer
FY 2003	94%	100%	High Performer
FY 2002	92%	100%	High Performer
FY 2001	94%	100%	High Performer

**Analysis of results and challenges:** Analysis of results and challenges: AHFC is using HUD's Public Housing Assessment System (PHAS) rating (with four indicators) as its benchmark. Prior to PHAS, the system was the Public Housing Management Assessment Program (PHMAP) (with eight indicators). The PHAS rating system uses third party assessors with little input by the Public Housing Authorities, while the PHMAP system was calculated by the Public Housing Authorities and verified by the local HUD office.

PHAS indicators and point values are:

- Physical Condition - 30.0 points possible
- Financial Condition - 30.0 points possible
- Management Operations - 30.0 points possible
- Resident Satisfaction - 10.0 points possible

100 total points possible

90-100% = High Performer

60-89% = Standard

0-60% = Troubled

**Target #2:** Maintain AHFC's bond rating

**Measure #2:** Bond ratings

**Standard & Poor's Bond Rating**

Year	YTD	Target
FY 2007	AA	AA
FY 2006	AA	AA
FY 2005	AA	AA
FY 2004	AA	AA
FY 2003	AA	AA
FY 2002	AA-	AA
FY 2001	AA-	AA
FY 2000	AA-	AA

**Analysis of results and challenges:** The Corporation is the largest debt issuer in the State of Alaska. Ratings changes and other market events that affect AHFC will likely impact other issuers within the State as they access capital markets for their financing needs. It is critical for Alaska that AHFC maintain its ratings and favorable market appeal.

**B1: Strategy - Manage finances to maximize AHFC's profits**

**Target #1:** Maintain or increase Adjusted Net Income

**Measure #1:** Change in Adjusted Net Income

**Adjusted Net Income**

Year	Annual	Change
2007	\$87,801,500	\$6,388,600
2006	\$81,412,900	(\$3,446,800)
2005	\$84,859,700	\$7,146,200
2004	\$77,713,000	\$13,636,000
2003	\$67,077,000	(\$11,583,000)
2002	\$75,660,000	(\$20,693,000)
2001	\$96,353,000	\$14,551,000
2000	\$81,802,000	\$1,952,000

**Analysis of results and challenges:** AHFC is using the prior year's "Adjusted Net Income" for the fiscal year as its benchmark. The total "Adjusted Net Income" includes Corporate, Federal, and CIP income generated by all AHFC programs. The Corporation's Asset base is comprised mainly of fixed income securities—short term investments and 30 year mortgages. FY2003 and prior "Net Incomes" did not need to be adjusted.

**Target #2:** Maintain or increase Net Assets

**Measure #2:** Change in Net Assets

**Net Assets**

Year	Annual	Change	% Change
FY 2006	\$1,684,472,000	(\$5,560,000)	(0.33)%
FY 2006	\$1,690,032,000	\$6,959,000	0.41%
FY 2005	\$1,683,073,000	(\$23,386,000)	(1.39)%
FY 2004	\$1,706,459,000	(\$31,107,000)	(1.89)%
FY 2003	\$1,737,566,000	(\$28,244,000)	(1.63)%
FY 2002	\$1,765,810,000	(\$7,867,000)	(0.45)%
FY 2001	\$1,773,677,000	\$21,322,000	1.20%
FY 2000	\$1,752,355,000	(\$35,680,000)	(2.04)%

**Analysis of results and challenges:** AHFC is using the prior year's "Net Assets" for the fiscal year as its benchmark. This is a major indicator of the Corporation's financial strength. During FY03, the Corporation worked with the Administration and the Legislature to pass a bill continuing the Transfer Plan. The modification made through HB256 is allowing the Corporation to begin increasing its net assets because the total transfer to the State is limited to a percentage of its Adjusted Net Income.

## Component: APFC Operations

### Contribution to Department's Mission

The mission of the Alaska Permanent Fund Corporation is to maximize the value of the Permanent Fund within return objectives.

### Core Services

- Investment management for Fund assets
- Provide public information on Fund activities and issues

End Result	Strategies to Achieve End Result
<b>A: Maximize the value of the Fund</b>  <u>Target #1:</u> A long-term 5% real rate of return <u>Measure #1:</u> Real rate of return over time	<b>A1: Develop and implement an asset allocation plan that minimizes the risk necessary to achieve the target return</b>  <u>Target #1:</u> The Fund's rate of return meets or exceeds the composite investment performance benchmark adopted by the Board <u>Measure #1:</u> The Fund's rate of return versus the investment performance benchmark
End Result	Strategies to Achieve End Result
<b>B: Provide Alaskans with complete and timely information on Fund activities and issues</b>  <u>Target #1:</u> Meet 100% of statutory and communication plan guidelines for disseminating information <u>Measure #1:</u> Percent of communication target objectives completed	<b>B1: Develop and implement an annual communications plan</b>  <u>Target #1:</u> Complete 100% of the tasks in the communications plan <u>Measure #1:</u> Percent of communications plan tasks completed

### Major Activities to Advance Strategies

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Contract with external investment managers for specific expertise for stocks, bonds, and real estate</li> <li>• Internal bond portfolio management</li> <li>• Daily, monthly, quarterly, and annual performance and compliance reports</li> <li>• Renegotiate fees on an ongoing basis</li> <li>• Prepare reports, newspaper inserts and other publications</li> </ul> | <ul style="list-style-type: none"> <li>• Maintain web site and keep content up-to-date</li> <li>• Research evolving alternative investment strategies</li> <li>• Respond to media and public inquiries</li> <li>• Seek out other opportunities for public education</li> </ul> |
|---|--|



### FY2009 Resources Allocated to Achieve Results

**FY2009 Component Budget: \$9,879,900**

**Personnel:**

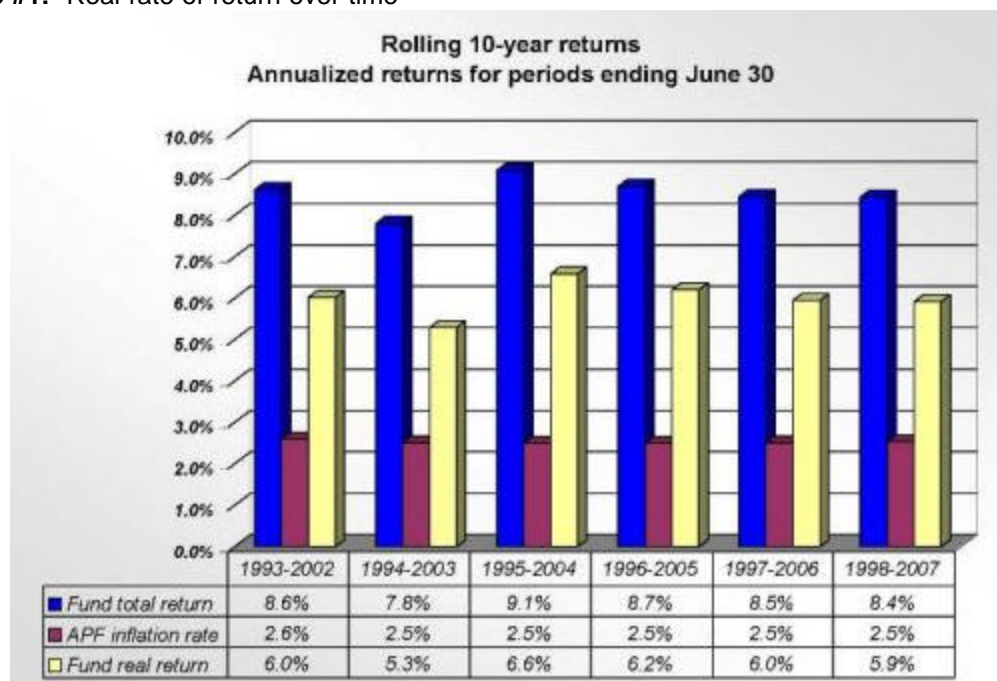
Full time	39
Part time	0
<b>Total</b>	<b>39</b>

### Performance Measure Detail

#### A: Result - Maximize the value of the Fund

**Target #1:** A long-term 5% real rate of return

**Measure #1:** Real rate of return over time



**Analysis of results and challenges:** The Fund's market value was to \$37.8 billion on 6/30/2007 (after \$1.0 billion dividend payout), up \$4.9 billion from 6/30/2006 ending market value. The long term real rate of return for the period FY1998 - FY2007 was 5.9% and the Fund's total return for FY2007 was 17.1%.

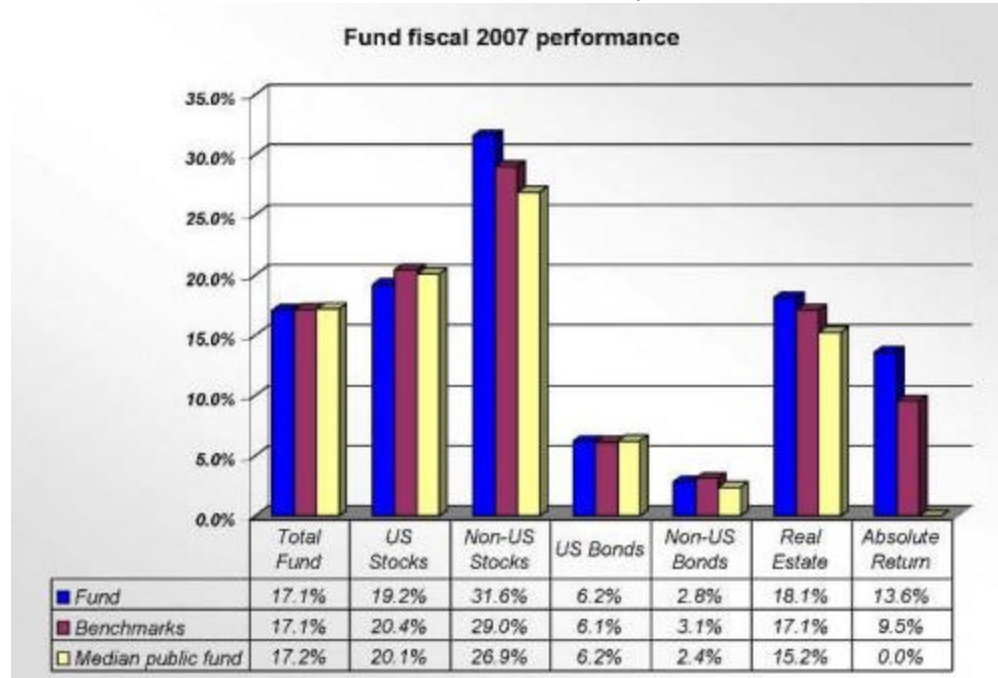
To achieve a target total rate of return, the Board of Trustees manages risk by strategically allocating the Fund among stocks, bonds, real estate, and recently, alternative investments. Different types of assets are influenced differently by factors such as the economic cycle, interest rates, inflation and fiscal policy. A mix of asset types whose returns move out of sync with one another moderates the total Fund's volatility.

Each year the Board fine-tunes its asset allocation to adjust to changes in the market environment. Its current goal is to earn about 5 percent over the rate of inflation in the long run. That means, in any 10-year period, the average real return (the return after inflation) should be around 5 percent.

## A1: Strategy - Develop and implement an asset allocation plan that minimizes the risk necessary to achieve the target return

**Target #1:** The Fund's rate of return meets or exceeds the composite investment performance benchmark adopted by the Board

**Measure #1:** The Fund's rate of return versus the investment performance benchmark



### APFC total return versus Benchmark return

Year	APFC Return	Benchmark
FY 2001	-3.3%	-4.5%
FY 2002	-2.2%	-3.7%
FY 2003	4.5%	4.8%
FY 2004	14.2%	14.1%
FY 2005	10.4%	10.5%
FY 2006	11.0%	10.5%
FY 2007	17.1%	17.1%

**Analysis of results and challenges:** Experts agree that over 90% of performance (return) is attributable to the asset allocation decision. We anticipate evaluating expanded asset class opportunities in the future with the goal of increasing total return and further diversifying the funds asset mix.

## B: Result - Provide Alaskans with complete and timely information on Fund activities and issues

**Target #1:** Meet 100% of statutory and communication plan guidelines for disseminating information

**Measure #1:** Percent of communication target objectives completed

Year	% of tasks completed
FY 2002	NA
FY 2003	NA
FY 2004	100%
FY 2005	100%
FY 2006	100%
FY 2007	100%

**Analysis of results and challenges:** The Board and staff believe it is critical to practice good corporate governance by holding ourselves accountable to the people of Alaska. We believe that it is critical to be as clear and open as possible regarding decisions made and the resulting Fund performance.

## B1: Strategy - Develop and implement an annual communications plan

**Target #1:** Complete 100% of the tasks in the communications plan

**Measure #1:** Percent of communications plan tasks completed

Year	% of tasks completed
FY 2004	100 %
FY 2005	100 %
FY 2006	100 %
FY 2007	100 %

**Analysis of results and challenges:** APF is a public fund with high visibility and importance to Alaskans. The Corporation must be accountable and maintain the public trust by communicating to Alaskans effectively and efficiently.